

Mr Foot in renewed effort to keep Labour's dissidents

There was renewed speculation at Westminster last night over developments in the Labour Party after Mr Foot held talks with the so-called "gang of three" to try to keep them within the party. Our

Political Staff write, however, that Mrs Williams may resign from the internal executive this week. In another move, Mr Wedgwood Benn joined the left-wing Tribune Group of MPs.

Mr Benn joins Tribune Group

By George Clark and Michael Hatfield
While Mr Michael Foot, leader of the Labour Party, was working to prevent a serious split inside the party, involving discussions with the so-called "gang of three", it was announced last night that Mr Wedgwood Benn had joined the left-wing Tribune Group of Labour MPs.

Those two developments led to renewed speculation at Westminster last night, particularly about Mr Foot's meeting with Mrs Williams, who is now the national executive committee, Dr David Owen, former Secretary of State for Foreign and Commonwealth Affairs, and Mr William Rodgers, who recently resigned from the Shadow Cabinet.

Although neither side would talk about the meeting in Mr Foot's room, which lasted an hour, it is understood that Mr Denis Healey, deputy leader of the party, argued a convincing case for the "gang of three" not to resign as party members. According to close friends of Mrs Williams, the attempt by Mr Foot and Mr Healey to persuade her to remain a member of the national executive is not likely to be successful and she will announce her resignation this week.

She herself declared on Sunday night that she would give a verdict after she had seen Mr Foot but she wants a few days to discuss the position with her social democrat colleagues.

It is probable that she will give her decision when the Council for Social Democracy announces the list of people on all sections of society who support their aims. If Mrs Williams were to sign from the national executive she would be succeeded by Mrs Betty Boothroyd, MP for East Bromwich, West. Mr Tom Aldridge, MP for Leicester, East, another member of the NEC, is expected to support the Council for

Social Democracy, is not likely to resign. He prefers to stay on and work with Mr Healey and others who want to stop the leftward drift of the party.

Mr Healey's contribution came at a time when it is known that the left wing would like to put up Mr Benn as a rival contender for the deputy leadership in October.

At yesterday's talks with Mr Foot and Mr Healey the main criticism of the dissidents was apparently about the weak stance made by the parliamentary party leaders at the Wembley conference a week ago.

They questioned whether the final decision, giving the unions 40 per cent of the vote, and the parliamentary party and the constituency parties 30 per cent, in an electoral college was valid, in view of party rules about the union block vote.

Mr Benn's decision to join the Tribune Group, after being an MP for 30 years, shook Labour backbenchers, but it coincides with a battle taking place inside the group between the so-called legitimate left and the far left.

A minority of Tribunes, led by Mr Reg Race, MP for Haringey, Wood Green, wants to move the group away from its concentration on constituency parties to the wide open spaces of the trade union movement in order to gain greater support for the left-wing economic strategy.

The move has been resisted so far because the traditional Tribune left does not want to embarrass Mr Foot any further, at a time when the party is facing a crisis. Mr Benn's first appearance at the Tribune meeting in Westminster, surprised most of the long-serving members. The first to speak was Mr John Tiller (Lambeth Central), the group treasurer, had of Mr Benn's intentions was when he received a cheque for £50, the membership fee, earlier in the day, with

a letter stating that Mr Benn proposed to join.

Mr Benn turned up at the regular Monday night meeting.

Some left wing MPs said they thought that Mr Benn had joined because he felt somewhat isolated during the present dispute inside the party. Nonetheless they said they were surprised at his appearance because at a parliamentary party meeting the previous week Mr Benn had suggested that he was not in favour of joining groups. The Tribune Group, loyal to Mr Foot, have so far resisted attempts to create schisms in their own ranks and create difficulties for the party leadership. Last week and last night the majority has backed off proposals that the group should back the special party conference for the election of the party leader.

But many Tribunes feel, with anger, that there is a serious attempt to push the group further than it would like to go. Their mood is based upon a paper submitted by Mr Race which has so far been rejected.

He suggested that the Tribune Group should join with the Labour Coordinating Committee and the Rank and File Mobilizing Committee, both of whom are identified with Mr Benn. Mr Race's other proposals were that the Tribune Group should consider a rank and file trade union strategy, possibly centring on the alternative economic strategy; consultations with senior trade union leaders over the shape of the next wage round; and advertising the availability of Tribune speakers to trade unionists and trade union branches.

Mr John Roper, the moderate Labour MP for Farnworth, who has openly expressed support for the Council for Social Democracy, yesterday said it was "highly unlikely" that he would be offering himself for selection in his constituency at the next general election. Labour poll, page 2



The underarm action that was condemned as underhand: Trevor Chappell, of Australia, delivering the last ball to McKechnie, of New Zealand, in Melbourne. Report, page 10.

Moderating influence of Mr Walesa ends strike

Warsaw, Feb 2.—Mr Lech Walesa intervened personally today to end a general strike in southern Poland, confining his moderate-line and appearing to strengthen his position in Solidarity by negotiations with the Government.

State radio said Mr Walesa went to the province of Bielsko-Biala, near the Czechoslovak border, to persuade workers to call off a seven-day general strike which has brought industry and public transport to a standstill. They are demanding the dismissal of local officials whom they accuse of corruption and illicit financial dealings.

Solidarity, whose national leaders voted overwhelmingly last night to call off a one-day general strike planned for tomorrow, says it wants to discourage local branches from striking against provincial governments. "We want to stop these anti-corruption strikes, otherwise we will go on strike," one Solidarity official said.

Another national Solidarity leader, Mr Andrzej Gwiazda, flew to the south-eastern city of Rzeszow to take part in negotiations between a government general strike planned for tomorrow and the Government until now resolutely opposed.

There were signs that the Government might be prepared to change its mind. Solidarity said it was calling off the strike because Mr Andrzej Kucala, the deputy Agriculture Minister, had begun talks with farmers. The issue of a rural Solidarity, which could develop into another powerful organisation, was one of three which created a near crisis in labour relations last month.

The other two, free Saturdays and Solidarity's demands for access to the mass media, were resolved for the time being during 12-hour negotiations between the Government and the union last Friday and Saturday.

A group of farmers continued a week-old hunger strike in a church at the south-western town of Wroclaw near by said today. They said two of the demonstrators had to be taken to hospital last night but that the others were doing well. "We are starving ourselves so that Poles might never be faced with the menace of starvation," a statement issued by the hunger-strikers said. —Reuters.

TUC urges £6,200m boost for economy

By Donald Macintyre

The TUC will press the Prime Minister tomorrow for a publicly funded £6,200m injection into the economy as the minimum to ensure that there is no further decline in output during 1981.

The inflationary proposal, which is the central short-term demand in the TUC economic Review, published yesterday, is based on what Congress House believes would allow a reasonable prospect of a modest 1½ per cent growth in the economy during 1982.

The review proposes that two-thirds of the sum should be used from direct expenditure and the other third by reversing "deflationary" increases in both employers' and employees' national insurance contributions.

The targets for spending would include £400m for public sector construction projects, £500m for raising cash limits for nationalised industries to fund modernisation, £710m for further expansion of manpower and job creation measures, £1,450m for increased pensions, and £1,000m for the health service, an extra £1,000m on education and £250m in aid to industry.

The TUC argues that the 3 per cent stimulus which they are seeking is the only way for the economy to break out of the strait-jacket in which the Government has imprisoned it.

While the measures would mean an immediate increase in public borrowing in the short term, the compensating gains in higher tax revenues and reduced unemployment would mean that the medium-term net cost would be "considerably" less than £6,200m.

Launching the review, which argues that the alternative to the policies outlined in it is "one million more people unemployed in the coming year", Mr Len Murray, general secretary of the TUC, said that the prospect at the moment was that by 1985 the real level of unemployment, on "unchanged assumptions", would reach five million. "That is a sombre and serious assessment."

He was disappointed that Mrs Thatcher, who expressed strong resistance at the weekend in a television interview to any form of "reflationary" measures,

Convert Jew appointed Archbishop of Paris

From Our Own Correspondent Paris, Feb 2

If a few years ago, the Paris clergy and laity had been told that their new archbishop would be a converted Jew of Polish origin, they would not have believed it. Yet that is the Pope's choice for the metropolitan see, made public today after a spate of leaks and rumours.

The choice of Mgr Jean-Marie Lustiger, aged 54, who has only been Bishop of Orleans for 14 months, to be the one hundred and thirty-ninth Archbishop of Paris is surprising in many respects.

Apart from the fact that he is the first French bishop not to have been born in a Christian family—he became a convert to Catholicism at the age of 14—Mgr Lustiger is also the first former vicar of a Paris parish to have been put in charge of the archdiocese since the 1516 concordat.

There is a sort of tradition in the French Church that bishops are not appointed to sees where they have lived and worked as priests for any length of time. This helps to avoid difficult problems of authority.

It is also extremely unusual for a bishop to be moved to a new see so soon after his appointment to another. A bishop is regarded as wedded to his diocese, unlike a prefect, who usually moves on after three years. In the case of

£9m mystery of the missing fight promoter

From Michael Leapman New York, Feb 2

One of the country's leading boxing promoters has disappeared with his family, and so has an official from his bank, from which \$20m (£9m) has apparently disappeared.

The missing man is Mr Muhammad Ali Professional Sports, the newest of the handful of big boxing promotion outfits. Muhammad Ali, the former world heavyweight champion, has no formal connexion with the company but receives a fee for the use of his name.

Mr Smith's biggest promotion, the one that was to have established him among the leaders in the field, is scheduled for February 23 at Madison Square Garden in New York. It was to have included at least two world title fights as well as a heavyweight match between two leading title contenders, Ken Norton and Gerry Cooney.

The title fights were to involve the welterweights Thomas Hearns and Wilfred Benitez, and the light heavyweights Eddie Mustafa Muhammad and Matthew Saad Muhammad. The purses for all the boxers would have amounted to \$10m.

Whether the card will be staged as planned is perhaps the least intriguing question. The big mystery is who whereabouts of Mr Smith, who vanished after hosting a party in Puerto Rico last Wednesday.

Today's New York Post suggests that he may have been murdered, but produces no evidence to support this supposition. He was due in Los Angeles last week for a meeting with Muhammad Ali but did not turn up. There is a report that he told a friend he wanted to go to Australia.

The company has promoted a series of expensive and well-publicised fights at Madison Square Garden but has apparently lost several million dollars on them. The source of the money which finances the fights is unknown.

Last week, two days after Mr Smith disappeared, the Federal Bureau of Investigation said they were looking into the apparent disappearance of \$20m from the Beverly Hills branch of the Wells Fargo Bank account. The bank announced that the company's account had been frozen.

Mr Benjamin Lewis, the official at the bank who handled the company's account, is also missing. Mr Lewis was on the company's board of directors. Muhammad Ali, who is said to have earned about \$1m last year for letting the firm use his name, has dissociated himself from the company until the situation is clarified.

Professional boxing has never been able to rid itself of its tainted image, and if the FBI's suspicions about this latest incident prove founded the sport will find it even more difficult to beat the count.

Girl murdered

A girl aged 18 was found murdered yesterday in a field off the Exeter road, 400 yards from the Middlemore headquarters of the Devon and Cornwall police.

Brixton governor is moved after escape

By Peter Evans Home Affairs Correspondent

Serious weaknesses in security at Brixton Prison allowed the escape of Gerard Tuite, who was charged with involvement in a televised IRA bombing, and two other prisoners in December. Mr William Whitelaw, Home Secretary, told the House of Commons in a statement yesterday.

A new governor, Mr Anthony Pearson, now at Gartree high security prison, has been appointed to remedy the weaknesses. Mr Michael Selby, his predecessor, has been moved to post in the prison services regional office organisation. One other member of the staff has been transferred. Mr Tuite has still not been captured and a widespread publicity campaign, including the posting of his photograph on hoardings, indicates how seriously Scotland Yard views his disappearance.

Mr Whitelaw said that he had seen advice from Sir Nicholas Evans, QC, the Attorney General, that it would not be fair for the report of an inquiry into the escape to be published at present because of ongoing proceedings in connection with it. Nor did Mr Whitelaw go into details of how the escape took place. The main conclusion of the report, by Mr Gordon Fowler, deputy director general of the prison service, is that the escape was made possible by "man error, specifically by gross weaknesses at all levels in the prison in the application

of the security procedures laid down in Category A prisoners (those held in top security accommodation).

Mr Fowler decided that there was no evidence to suggest that there was any conspiracy or collusion in the escape by members of the staff of Brixton prison. The prison was one of the worst examples of the inadequacies of the many worn out and antiquated prisons, but the physical fabric was not in itself a principal factor in the escape.

It had to be acknowledged, however, that "when we contain high risk prisoners in far from ideal, though not insecure, conditions we increase the weight of responsibility on the staff concerned," Mr Whitelaw said.

Mr Fowler also reported that with a senior officer and seven officers responsible for supervising 15 Category A prisoners in the maximum security wing and one officer responsible for their surveillance at night, the staffing level was entirely adequate.

Industrial action being taken by prison officers did not impinge on security at the prison and staffing levels in the wing were unaffected by it. "Nor did he find that the security procedures themselves were defective. The failure to prevent the escape was caused by specific human weaknesses occurring over a period of time at all levels of the staff concerned."

Continued on page 2, col 7

30 police hurt in Hamburg rioting

From Patricia Clough Bonn, Feb 2

About 30 police and an unknown number of demonstrators were injured in street battles in Hamburg tonight.

The violence erupted as 12,000 demonstrators marched through the city centre to protest against the controversial Brokdorf nuclear power station, while the city's ruling Social Democrats debated whether the station should be completed.

Groups of extremists threw paving stones at the police, smashed shop and hotel windows and wrecked cars. The damage was estimated at several million marks. About 25 people were detained.

The demonstration, organized by Socialist Party youth, was intended to be peaceful. Nevertheless police sealed off the trade union headquarters where the debate was being held and brought in 2,500 men, many from other towns. Police forbade a simultaneous demonstration by groups who were suspected of wanting to cause trouble.

The Hamburg Socialists are deeply divided over Brokdorf and the issue has turned into an internal party struggle between those who support Herr Helmut Schmidt, the Chancellor, in the view that nuclear energy is sometimes necessary and those who reject it outright. Photograph, page 4

Councillors to fight 2m surcharge move on pay deal

Four councillors in the London Borough of Camden are to fight a move by the District Council for a declaration that a pay settlement for council manual workers during the "ivy jobs" dispute two years ago was unfair. The councillors could face a surcharge of nearly £2m, and be disqualified from office, if the move succeeds. Page 4

French in Pacific dispute

France, the newly independent Pacific Island state, which was an Anglo-French condominium until last year, is expelling the French "basseter" today. A dispute with Paris follows the expulsion from the neighbouring French colony of New Caledonia of a Vanuatu minister who had gone to address the local independence movement. Page 6

Recession 'end in sight'

Mr Gordon Richardson, Governor of the Bank of England, said the end of the world recession was in sight. Economies would start growing again some time this year, but he thought the recovery might be slow. Page 15

Mao nephew 'to be tried'

Mr Mao Yuanxin, aged 41 and a nephew of the late Mao Tse-tung, is to be tried for "towering crimes against the party and the people," according to a Chinese newspaper. The paper said 12 former military officers were also being tried for plotting to kill Chairman Mao. Page 7

"Times" negotiations: Mr Rupert Murdoch's team to be given counter-proposals by printing unions. Page 2

Oslo: Norway's new Prime Minister, to be announced today, is expected to be a woman. Page 4

Film for TV: The BBC has won the right to screen 'Gone With the Wind'. Page 14

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Stock markets: Hopes of cut in M.L.R. in next Budget saw renewed demand for gilts and the exhaustion of the two short "taps". Equities found support and the FT index closed 3.5 higher at 469.8.
Financial Editor: Banks in the political arena; timing the cut in interest rates.
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Note: Stay on the Way plan is not available to passengers to and from USA and Canada.

HOME NEWS

Miners in Yorkshire vote to fight pit closures with strikes

By Ronald Kershaw
Yorkshire miners have voted overwhelmingly to give their employers permission to call for industrial action, including strike action if necessary, to fight pit closures for reasons other than exhaustion of coal seams.

Of the 55,000 miners in the Yorkshire area, 52,171 took part in the ballot and 44,574, or 85.5 per cent, voted in favour of permission being granted and 7,497 voted against, a result Mr. Ron Briscoe, the Yorkshire miners' secretary, said was better than expected.

Announcing the result from the Yorkshire Reform Society, Briscoe said it showed the miners' feeling about the threat to their jobs. He emphasized that the last thing the Yorkshire miners' council wanted was to activate the mandate given. "We do not want strikes or industrial action," he said.

The National Coal Board has lost a number of pits in Yorkshire and has constantly under review what it classifies as short-life pits.

It is talking with the unions about the closure of Osgreave colliery, South Yorkshire. It says it has no formal list of pits to be closed.

The recession had caused a

decline in the market for coal and a meeting between the board and the unions had been called for February 10 to discuss the future of the industry.

The board said there would be a wide-ranging review, with the aim, almost inevitably, of reducing levels of output next year.

"What form that will take we cannot speculate on. The industry is back in the melting pot. Our efforts in the 1970s for coal in the early 1970s are beginning to pay off and we are getting better rates of productivity and production. The trouble is, nobody wants the coal," the board said.

Coal import ban: A ban on coal imports was urged yesterday by the executive committee of Scotland's colliery craftsmen's union, who decided to oppose pit closures and redundancies (our Shotts Correspondent writes).

After a meeting in Glasgow Mr. Frank Gormill, general secretary of the Scottish Colliery Enginemen, Boilermakers and Tradesmen's Association, said:

"It is planned to import eight million tonnes of coal this year. At the same time the National Coal Board will be stockpiling six million tonnes because of the recession."

Pirates demanded

Kenneth Gosling
Video piracy should be treated as theft and brought within the criminal law and offenders should face a maximum penalty of 14 years' imprisonment.

That is one of the aims of the Video Copyright Protection Society, set up by the BBC, the Independent Television Companies Association and the Society of Film Distributors, which have combined to deal with a growing abuse that costs the film and television industries hundreds of thousands of pounds a year.

Video piracy, the taping and subsequent sale of film and television material without authority, was defined at a press conference in London yesterday by Mr. Peter Lord, chief executive of the society, "plucking someone else's creative work and making money out of it."

Piracy could not be stopped, he said, but what he brought it into the time-lapse was the advent of the home-recorder; at the end of 80 there were about half a million machines in Britain and it was estimated that the next five years that there would multiply eightfold.

"Our target," Mr. Lord said, "is not primarily the person who records in his home; he is the pirate. What we are after is the person who records legally to sell on."

"It has become a considerable export trade. In those countries that use the PAL system, London has become the centre for pirate recordings. Sony Hill and Faulty Towers have turned up in many places. In the United States alone it is a business worth \$650m a year. In this country five million cassettes are floating around and a high number are being used to record things without paying the people who made them."

The need was to tidy up the law, which to some extent had been overtaken by technology. There was a copyright, Mr. Lord said, in all films and all broadcasts.

Last summer a firm in South-East had more than 450 cassettes impounded and had to pay £100 in costs. Injunctions and damages had been awarded against others.

In a statement the society appealed to the public to ensure that the cassette recordings they bought were legitimate. Mr. Barrie Heads, the society's chairman, said that people were turning up with copying machines and returning to all parts of the world with British material.

'Pint-size hero' wins citizen award

By David Nicholson-Lord

A school boy aged nine who helped to rescue his disabled mother and baby sister from their blazing home was yesterday named joint youngest Citizen of the Year for his courage and coolness.

Stuart Bell, of Swindon, Wiltshire, was one of 50 people aged between nine and sixteen who shared in awards and commendations under the Caxton Young Citizens' Awards scheme, run by Caxton Publications and the Ross McWhirter Foundation.

Presentations in the second year of the scheme were made at the Mansion House, London, by Sir Ronald Gardner-Thorpe, the Lord Mayor, and by several judges, including Mr. Angus Ogilvy, Dame Anna Neale and Miss Joanna Lumley, the actresses, and Mrs. Rosemary McWhirter, Mr. McWhirter's widow.

The ceremony was televised and will be broadcast next month by the BBC.

Stuart Bell, then aged eight, was playing hide-and-seek with his sister Julia, aged two, last September when fire broke out in their mother's bedroom.

He telephoned the fire brigade, found his sister upstairs and "piggy-backed" her outside, helped his mother, who has an artificial leg, outside and then ran for help to neighbours.

Afterwards he earned the title of "pint-size hero" from local newspapers by filling a milk bottle with water and trying to put the fire out.

The other joint winner in the youngest category, for those aged between nine and eleven, was Jason Kilby, aged 11, who has been an ambassador at "large" for St. Mandeville hospital, Buckinghamshire.

The winner in the 12-14 age group was Hayley West, of Ipswich, who suffered from bone cancer and has had a leg amputated but has raised more than £12,000 towards an X-ray scanner.

Vivien Martin, aged 15, won

sored swims and bicycle rides.

Described as "astoundingly cheerful" although he has been paralysed from the waist down since he was two, he has raised thousands of pounds for the hospital.

The winners, chosen from more than 250 nominations, received an expenses-paid, three-day trip to London, a £150 cheque and a set of encyclopaedias, as well as a silver medal.

The cottage is owned by Mr. Richard Bird, originally from

London, who is supervisor of the Dutch elm disease project for Gwynedd County Council.

Intruders climbed through a back window during the week-end when Mr. Bird, his wife and three children were away.

A villager said it was believed Mr. Bird was unhappy about aspects of the county's bilingual education authority, and that that could be behind the incident. However, Mr. Bird said: "I am not anti-Welsh, and there is no hostility in the village. My mother is Welsh."

Meanwhile, at Capel Garmon, near Llanwrst, police were last night awaiting the arrival of forensic scientists to examine an incendiary device. It was found in the bedroom of a holiday cottage owned by a doctor from Salford.

Peace-keeping in a Democratic Society: The Lessons of Northern Ireland. C. Hurst and Company, 1-2 Henrietta Street, London WC2E 8PS, £9.50.

During the miners' strike of 1974, when such talk was being floated in the newspapers, he asked his sergeants to inquire among the men, many of whom were from mining areas, what they thought about the subject. Of 100 "squaddies" questioned, only two knew there was a strike on at all.

"I could be happy that the Army was politically inert," Colonel Eveleigh recalled with a cheerful smile.

Colonel Eveleigh made clear after the conference that in addition to his not foreseeing

like the present. For although he thinks civil breakdown is unlikely in Britain, it is at least possible in the next 70 years.

He is concerned to preserve Western democracy to which I am addicted by ensuring that society can protect itself from internal terrorist or subversive minorities without recourse to a "strong man" detention without trial, and "legalized violence" as he describes hanging and flogging. Those, should they materialize, would lead to the end of domestic liberty.

The Army, he says, would only get sucked in if the police became discredited in the eyes of a substantial section of the population in a particular locality after a very serious riot or large scale industrial disturbance.

His book on the Northern Ireland experience lists a number of technical and legal provisions to strengthen the Army's hand without bringing tyranny in tow. One of those provisions, the value of a modern equivalent of the Riot Act, 1714, repealed in 1967, he believes is of relevance to possible trouble on the mainland.

"In effect, we have no law in the area of the control of rioting. This is very dangerous," he would like the Commons Select Committee on Home Affairs to look at it, because only a clear set of stages, easily understood by both troops and mob, has, he believes, any chance of dispersing a severe street disorder without broken heads or worse.

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HOME NEWS

Labour councillors to fight surcharge move over pay deal

By Christopher Warman
Local Government Correspondent

A single vote majority at a Labour group meeting led to the possibility that about thirty Labour councillors on Camden Council, in London, could be surcharged thousands of pounds each for approving an "unlawful" pay settlement two years ago.

In a report into payments to manual workers during the "dirty jobs" dispute which were above those set by national negotiations, the District Auditor has decided to refer the matter to the courts and ask for a declaration that the extra payments authorised by the council were unlawful.

The report, by Mr J. M. Pickwell, due to be published today, is understood to state that the councillors acted beyond their powers, and therefore illegally, in settling for a guaranteed minimum of £50 a week for the council's manual workers.

Estimates of the cost vary, but councillors could be liable for up to perhaps £60,000 each, nearly £2m in total, and liable to disqualification from office if it is decided that their action was unlawful.

The councillors will consider their response at a meeting tomorrow, but have already decided to fight the case in the courts. Mr Andrew Bethell, who as chairman of the staff committee helped to make the deal, said yesterday that such a huge bill could have a catastrophic effect on members. "I do not think as a group we are worth £2m. It could mean bankruptcy."

They would be defending their action because they believed it was lawful and also because it was a reasonable decision to make in the circumstances. He was concerned at the prospects for individual councillors.

"Some have contracts which state that a ground for dismissal would be bankruptcy. Even though we have a good defence, nobody is regarding it as a foregone conclusion that we shall win, or that this is something to treat lightly."

An important consideration, if the councillors are found to have exceeded their powers, is whether they are liable only for the financial year 1978-79 or for the whole period since the settlement.

Camden has 33 Labour councillors, but it is believed that only 28 or 29 voted for the action in the full council. Although at the previous group meeting the decision was won by only one vote, its opponents have a line for the full council vote.

The Labour councillors face another difficulty, whether to recommend a rise in council rents. They are under criticism for the council's failure to raise rents sufficiently in the past, and they have now been advised that if they do not increase rents by £3.25—the Government's guideline, that issue, too, could go before the courts.

There have been occasional cases where councillors have been surcharged comparatively small amounts, in hundreds of pounds; but the last time a surcharge of such magnitude was imposed was when 11 Labour members of Clay Cross council refused to raise council house rents in accordance with the Housing Finance Act, 1972. They were surcharged £63,000, squandered from holding public office and, in 1975, made bankrupt.

Six of the former councillors were discharged from bankruptcy last year after Chesterfield County Court heard that only about £400 had been paid by three councillors. The rest of the debt had been recovered from a levy on rents and rates.



Cardinal Hume: "I want peace and solitude."

Lack of wife is felt by cardinal

Cardinal Hume, Archbishop of Westminster, spoke yesterday about the difficulties of his life of celibacy. "There are times and occasions when it would be marvellous to have a wife," he said.

The cardinal added that he believed celibacy to be essential for Roman Catholic priests so that they could devote their lives to serving God, but he would sometimes like to have a wife "to support and to help and to whom one could talk confidentially and in intimacy about what was a worry, what was an anxiety, and what was burdening."

His comments came in an independent television film, previewed in London, about his life. The film will be shown on February 24.

Cardinal Hume, who is aged 57, said he has had at last to give up sport. He has been an all-round sportsman all his life, but is suffering from hip trouble caused by arthritis. He added that he hoped to retire at 65 to find "peace and solitude."

Ulster Unionists' fears are rekindled by Thatcher reticence on Dublin summit

From Craig Seton
Belfast

Deep suspicion held by the Unionists over the summit talks in Dublin last December, was kindled again yesterday when Mrs Margaret Thatcher repeated the nature of the joint studies which will provide the basis for her next round of talks with Mr Charles Haughey, the Prime Minister of the Irish Republic.

Mrs Thatcher said that the studies had started, but otherwise her Commons written reply went not much further than the Dublin communiqué. It was the brevity of her reply that angered the Democratic Unionist Party. It claimed she had "something to hide."

The Prime Minister reiterated that the studies concerned "possible new institutional structures, citizenship rights, security matters, economic co-operation and measures to encourage mutual understanding." Progress would be reported to ministers before she met Mr Haughey in May or June.

Mr Peter Robinson, the Democratic Unionist MP for East Belfast, who put down the latest night that she was even more alarmed because of William Whitelaw, the Home Secretary, to ask him to use the Treasury Act, 1951, to enable the death penalty to be used against terrorists who murdered members of the security forces.

There was alarm over the phrase "the totality of relationships within these islands".

Man's hands 'cut off in garage'

A killer who was "shaking and panicking" asked a friend to clear the blood from the garage where a dead man's hands had been cut off, it was stated at the "handless corpse" trial at Lancaster Crown Court yesterday.

Det Chief Inspector William Hacking said that a statement was made by William Kirby, aged 27, one of four men who deny murdering Mr Martin Johnstone.

Mr Hacking said that Mr Kirby told the police: "It was horrible. There was blood all over the floor. It nearly made me sick. I had to mix it with sand and cement to clear it up."

Mr Kirby said he was asked to clean up by Andrew Maher, who has pleaded guilty to the killing, which the Crown says was Mr Johnstone's punishment for cheating an international drug syndicate. His body was found in a water-filled quarry.

Cross-examined by Mr John Huggill, QC, representing Mr Kirby, Mr Hacking denied he was willing to go as far as necessary to get a confession out of Kirby.

He denied that Mr Kirby was slapped in the face, or that he was threatened with a beating if he did not answer questions. He also denied a suggestion that Mr Kirby had said he was told: "You have got no rights."

The trial continues today.

Trial delay appalling, judge says

A man who claimed to be Britain's longest serving remand prisoner had waited in custody more than 19 months for his case to come to the Central Criminal Court, a judge there was told yesterday.

John Eidemack, aged 41, a Danish-born businessman, was jailed for two years after admitting fraud in running a mail order cassette and tape company.

Judge Buzzard said that the delay in bringing the case to trial was "appalling". Most of it was probably due to the length of committal proceedings, which Mr Eidemack was represented by counsel. "Fifty days seems an incredible time," he said.

Mr Nigel Cockburn, for the defence, said: "He has been in custody over 19 months and has been told in prison that he is an English record case. As one prisoner who was involved in a series of trials. But that prisoner did not have to wait 19 months for his first trial."

Mr Brian Higgs, QC, for the prosecution, said Mr Eidemack had been managing director of Dinky Marketing (London) Ltd, now £50,000 in debt.

He was wound up in 1977. From the end of 1976 until August, 1977, three types of fraud were being carried out.

Mr Eidemack pleaded guilty to 11 counts involving evasion of debts by fraud, obtaining goods by fraud, and one count of carrying on the business with intent to defraud creditors.

His plea of not guilty to a second count of carrying on the business fraudulently over a different period was accepted, as were his not guilty pleas to 18 counts on a second fraud indictment relating to the affairs of Choreslyan, a direct mail company.

Mr Eidemack was arrested the day after an item about him appeared in the *Three Day Life* BBC television programme. He had also been the subject of investigation by the Checkpoint inquiry programme on BBC Radio.

Picket line halts patients' holiday

A week's seaside holiday for three elderly hospital patients was cancelled yesterday after pickets turned away a bus which was to pick them up. Staff have been occupying Longworth hospital, Oxfordshire, for more than two months in protest against plans to shut one of the two floors.

The pickets, all members of the Confederation of Health Services Employees, said, they feared that if the patients were allowed to go they would not return to the hospital.

Video record traps three thieves

A judge at Beverley Crown Court, Humberside, watched a videotape recording of a £31,000 robbery on a jeweller's shop and told the three raiders yesterday: "You played your parts well."

Judge Michael Barker was told that it was a carefully executed robbery, but police immediately identified the three when they watched the recording.

Mr Paul Hoffman for the prosecution said 20 rings had been taken.

Leslie Clark, aged 20, of Halewood, Liverpool, and Paul Granite, aged 27, of Horbury, Wakefield, were each jailed for two years and Anthony McMillan, aged 22, also of Halewood, was jailed for three years after admitting robbing the shop, in Bridlington, Humberside.

Michael Mooney, aged 31, of Walkworth Court, Ellesmere Port, Cheshire, was given a nine-month suspended sentence and fined £500 for receiving two of the stolen rings.

Strong union support for Lambeth protest

By Our Local Government Correspondent

Council workers in Lambeth, London, where ratepayers have received an average £50 supplementary rate demand, yesterday began a "week of action" which will leave the dustbins unemptied and the streets unswept.

In addition the council's direct labour force has gone on strike for the week, and the libraries are closed, while housing and consumer advice centres are operating work-ins without pay.

The action is to demonstrate total opposition to the Government's policy of cuts in local government spending, and is to reach its climax with a demonstration and rally tomorrow.

Representatives of the manual unions said the response was almost 100 per cent, and the "white collar" union, the National and Local Government Officers' Association, claimed that about half their 4,000 members would be involved.

The action has the wholehearted support of Mr Ted Knight, the council leader, and

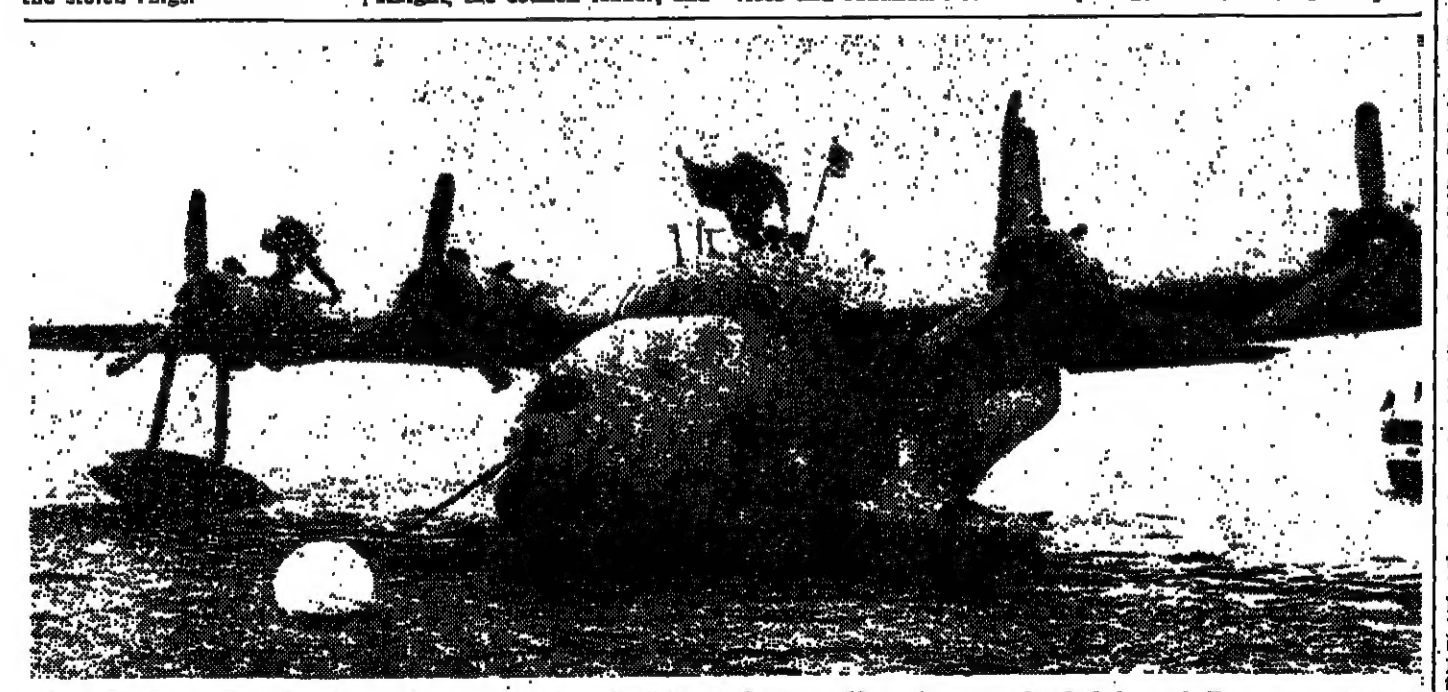
the other Labour councillors. Mr Knight commented: "The council and the workers are under attack from all angles. This action shows the people care very much about the services they provide."

He said he sympathized with the anger of the ratepayers at having to pay more. "Of course, we do not like to pay extra rates, but this action shows what would happen if services were taken away altogether."

Mr Michael Heseltine, Secretary of State for the Environment, had wanted a reduction of a quarter in the council's budget. If that had been done, services would not exist, Mr Knight argued.

Mr Michael Waller, branch secretary of Nalco, told a press conference: "We are trying to persuade the Government to have a total change in policy. The way the Government has squeezed the council means that unless the trade unions in this borough are successful we can see quite disastrous consequences in terms of cuts in services and redundancies."

The trial continues today.



Solent landing: The Southern Cross, first in service 38 years ago and believed to be the last British-built flying boat still airworthy, moved to a buoy after touching down in the Solent yesterday to cheers from hundreds of spectators. The four-engine Short San-

dringham had flown from Co Clare, in the Irish Republic, in the final leg of a transatlantic crossing from the Virgin Islands. It was purchased by British enthusiasts after the death of its owner, Captain Charles Blair, husband of Maureen O'Hara, the actress. They

overhauled it and flew it to Ireland via Newfoundland. Captain Ronald Gillies was at the controls yesterday and taxied the Southern Cross to a mooring off Calshot, Hampshire, accompanied by a small flotilla and a Royal Navy rescue helicopter

Brothers who hit injured PC fined £200 each

Two brothers who assaulted former Constable Stephen Hickling, the officer who lost part of an arm in a bomb blast at a London police station, were fined £200 each and given three months suspended prison sentences after being charged with assault yesterday. Each was ordered to pay £75 costs.

Reginald Nicholas Parker, aged 20, of Cobden Road, Snodland, Kent, and Raymond Parker, aged 26, of Nightingale Road, Woolwich, south-east London, admitted the assault.

Mr Reginald Parker also admitted assaulting Mrs Lorraine Hickling, and his brother pleaded guilty to assaulting the couple's friend, Mr Alex McCall.

The court was told that in Orpington, Kent, last November Mr Hickling approached three men after a plastic cone had been thrown at his car. In a dispute that followed Mrs Hickling was hit and her husband and Mr McCall were punched.

Warming up in the battle for Sunday readers

Trade unions willing, a new newspaper will whisk into life next April from the Outram presses in Glasgow, first runner in the rekindled competition for Sunday readership in Scotland. Outram, publisher of *The Glasgow Herald*, is anxious to beat *The Scotsman*, based in Edinburgh, which is also studying the market for a quality Sunday newspaper in Scotland.

Meanwhile, the *Sunday Mail* in Glasgow is about to increase staff and size to defend its 750,000 circulation against competition from colour supplements which are expected from the *Sunday Express* and the *Sunday Mirror*, and the possibility of a Sunday paper from Associated Newspapers, as a stablimate to the *Daily Mail*.

All those will be bound to have an impact on the Scottish market which has been losing Sunday readers at the rate of about 100,000 a year for the past six years. The most dramatic example was the case of the *Express* group, which moved from Albion Street to print in

Regional report

Ronald Faux
Glasgow

Manchester. Since then the *Sunday Express* has lost half its circulation, which once reached 600,000 copies.

The key question is whether the new Scottish newspaper will win readers from the London-based quality Sundays, which between them sell about 250,000 copies north of the border. The target circulation for the new Outram paper has been set at 175,000, less than the combined readership of *The Glasgow Herald* and *The Scotsman*.

Past experience has been that Scots who buy both a Scottish Sunday newspaper and a London quality tend to economize by cancelling the Scottish product whenever the price of the London product increases.

There is also an invisible division between east and west Scotland that makes the two halves fairly impenetrable to the opposition, although both *The Glasgow Herald* and *The Scotsman* can fairly claim to be national newspapers for Scotland. If the new Glasgow-based Sunday paper, as yet unnamed, bears the slightest trace of a western bias, it is likely to run into that barrier.

All market research suggests there is an area of readership and advertising which is underserved and that a quality newspaper with a distinctly Scottish flavour could thrive. What must make the contenders pause is the certainty that no one has either the resources or the time to produce a newspaper of the depth, coverage and variety of *The Sunday Times* or *The Observer*, based on a Scottish readership alone.

The new Sunday newspaper has precious little time before launching day. Some staff are to be transferred from the *Glasgow Herald* and its sister

newspaper the *Evening Times*, and about 50 extra jobs are to be provided.

It will allow Outram to broaden the company's revenue base and to use more of the high capacity in its new headquarters in Albion Street.

Converting the building, once used by the Express group, into a new newspaper, with high wage settlements have put heavy financial pressure on the company, which is budgeting for a loss this year of about £2m. Last year, profit was about £250,000 per month.

The company calculates that as the recession turns and productivity from new technology increases the financial picture will change swiftly, enhancing the future for all three publications.

But if the new newspaper proved to be attacking the already well subscribed middle market in Scotland, and does not attract new readership, it may still decide to launch a rival.

WEST EUROPE



Police looking after a wounded colleague during the violent demonstration in Hamburg last night against a nuclear power station

Calvo Sotelo warning to the party rebels

From Harry Debelius
Madrid, Feb 2

Spain's political crisis deepened today making life more uncomfortable for Spaniards.

Señor Leopoldo Calvo Sotelo, the outgoing deputy Prime Minister for Economic Affairs, met at his home here today with leaders of the rebel right-wing faction within the majority party, the Centre Democratic Union (UDC), in an effort to reunite the party after the resignation last Thursday of Señor Adolfo Suárez, the Prime Minister.

Señor Calvo Sotelo, nominated as Prime Minister-candidate in a party caucus in Madrid last Friday, subject to recommendation by King Juan Carlos, and approval by Parliament, reportedly told dissident elements within the party that he would withdraw his candidacy unless he got unanimous support from

the party's executive committee.

While Señor Suárez' lame duck government continued in office, awaiting the appointment of a new leader, the nation was engulfed in a flood of problems.

Transport was in chaos, with airports ground to a halt, an intermittent strike all over the country and railway workers on a stop-and-go strike combined with a work-to-rule action; air traffic controllers disrupted transport last week with a go-slow. Steelworkers and shipyard workers also struck in protest against government plans to reorganize those industries and to authorize the eventual dismissal of thousands.

Tens of thousands of Spanish fishermen were idle today also, as a result of the simultaneous termination of fishing agreements with the EEC, Morocco and Portugal. The Government authorized the payment of compensation to the Canary Islands fishermen, the hardest hit.

Bank doors jammed with glue

From Gretel Spitzer
Berlin, Feb 2

The door locks of about branches of West Berlin banks were jammed with glue last night. People who had taken part in squatter demonstrations claimed responsibility, letters to a radio station and the West German news agency.

They said the action had been taken to allow the banks to think about guarantees given to a new bankrupt construction firm involved in a scandal tied to the resignation of 1 Berlin city government.

Windows of banks, department stores and shops were smashed last night in uprisings. Police vehicles were damaged in various parts of the city by groups of people who demanded the release of arrested or imprisoned squatters. As had happened during previous incidents, protesters tried to avoid direct confrontation with the police.

Communists told: Reject Stalinism

Socialists refuse deal with M Marchais

From Charles Hargrove
Paris, Feb 2

M Lionel Jospin, the newly appointed first secretary of the Socialist Party, yesterday gave a striking demonstration on the radio of his qualities as a debater, and of a clear-cut, down-right expression of his views which contrasts with the more convoluted manner of M François Mitterrand, who handed over to him a week ago to become his party's official candidate in the presidential election.

In a forceful broadcast, he fielded skillfully the explosive question of the participation of Communist ministers in a future government of the left. Unlike M Mitterrand, he did not argue that this would be a question for the future government majority, and not for a left-wing president if one were elected. It could, he said, be contemplated only if the Communists changed their present line on Afghanistan, Poland, the stationing of new American missiles in Europe, immigration, and a few other points—in other words, if they abandoned their present rigid Stalinist line.

The participation of Communist ministers has been described as a "crude trap" if the Socialists rejected the idea, they would stand convicted of "class collaboration" with the right; if they accepted it, they would lighten away potential moderate or Gaullist voters who might rally to M Mitterrand's side in the second ballot next May.

M Jospin refused to walk into this trap. He called it a "summit of illegality" for Communists to expect portfolios for their party members when they persisted in alleging that the Socialists were veering to the right and that a Socialist government would be worse than that of M Barre. Even Communist militants were non-plussed by the very idea, he said.

There would be no bargaining with the Communists about portfolios either before the first

French Presidential Election

ballot or after it, or before the end of the second ballot. The Socialists this time were not going to let themselves in for the kind of last-minute patched-up arrangement with the Communists which they agreed to just before the parliamentary elections of 1978, which made such a bad impression on many French voters.

Thus, question would arise only in the context of the parliamentary elections, which would follow if M Mitterrand were elected. (He has always said that he would dissolve Parliament if he won and if the electorate which had elected him gave him a majority in the Assembly.)

M Jospin repeated that the Socialist strategy remains that of the Union of the Left and of the gathering of "popular forces" in the country and for the Union of the Left. But it can neither forget a cent past nor ignore the present. The demand for Communist ministers is for a compromise with the policy of the common front programme.

In its place, he said, the Communists proposed union at a base. But this had no concrete reality, and all offers of talks or meetings at all levels were rejected.

Britain is shocked by Soviet tactics

From Our Correspondent
Madrid, Feb 2

Mr John Wilberforce, leader of the British delegation at the European security conference, told fellow delegates here today that he was shocked by apparent Soviet attempts to make agreement to a disarmament conference a precondition for continuing the Helsinki process.

Mr Wilberforce discussed various security proposals under consideration at the conference, and pointed out that without a guarantee for verification of security measures, no proposal could be reliable or effective. He maintained that only a proposal submitted by France

offered adequate guarantees in this regard.

In an obvious reference to the Soviet Union, he criticized countries which "are more interested in talking loudly than in accepting specific and verifiable commitments: more interested in creating a false sense of security in other peoples than in allowing their own people to know the true burden of their own armaments expenditures."

Referring to Soviet objections that confidence-building measures regarding troop movements and other military matters should not apply as far east as the Urals, he said: "No part of the European continent should be exempted... To

start on the basis of permitted exclusions of territory, a rig which could certainly not be accorded to only one power would be to defeat the object of the exercise.

"It is an extraordinary spectacle we are witnessing, of a Soviet Union with one voice shouting for a process of disarmament in Europe, and with another voice refusing to accept the application to most of her European territory of the same process.

"What a precondition that it's a whale of a precondition and we're not going to swallow it."

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Mgr. Lustiger: Converted to Catholicism at 14.

Unorthodox choice for Paris see

Continued from page 1

Orleans, it is even more surprising because Mgr. Lustiger was appointed only 16 months after the death—by drowning—of his predecessor, Mgr. Guy Riobe, a forceful and controversial personality who had taken a strong stand on highly political issues.

Mgr. Riobe had left a difficult situation for his successor and Mgr. Lustiger had only just begun to have come to grips with it.

In a sense his appointment to the See of Orleans would seem to indicate that the Pope already had him in mind for Paris and greater things. Cardinal François Marty had reached the retiring age of 75—set by bishops by Pope Paul VI—in May, 1979. The choice of his successor was already the subject of considerable speculation both in Rome and Paris. Several names, though not Mgr. Lustiger's were mentioned at different times as possible successors.

The unorthodox choice, also points clearly that it was very much the Pope's own. The fact that Mgr. Lustiger was born of a family of Polish immigrants (his mother died in Auschwitz concentration camp in 1943) and that he speaks Polish fluently as well as several other languages, may have been an additional point in his favour.

Mgr. Lustiger is a complete contrast with his predecessor, Cardinal Marty was a devout and simple man, who had remained close to his rural origins. He was not an intellectual and did not in the opinion of many of his flock have the personality and authority to head the most prestigious French see.

But he knew what he wanted—and got it with a mixture of stubbornness and wit. The new archbishop is very much an intellectual and an academic, with a host of degrees to his name. For 10 years, Mgr. Lustiger was chaplain to the Sorbonne students, and there is still something of the student chaplain about his appearance and manner, which bear no relation to the traditional episcopal image.

A parish priest for another 10 years, he went in for novel forms of participation and communication. He acquired a great reputation as a preacher, and many of his Paris congregation recorded his sermons.

His manner is simple and cordial. During his brief stay in Orleans, he impressed people with his energy and decisiveness.

It would be inadequate to classify such a nonconformist personality as a conservative or a progressive. At Orleans, he refused to identify himself with some of the more advanced positions taken up by his predecessor, and doctrinally he is very orthodox.

Violations of rights much worse in peace than war

From Our Correspondent

A warning that human rights are being eroded by evolution of "military strategies affecting the lives and liberties of millions" was given today by Mr. Theo van Boven, director of the United Nations Human Rights Division.

"What, for example, are the issues for human rights posed in the increasing spread of the nuclear state?" he asked. "Do people receive frank and honest information about the nuclear arms build-up and the hazards of nuclear warfare? Is there any popular involvement in the development of those strategies?"

In opening the six-week session of the 43-nation United Nations Human Rights Commission, he said growth in structures of violence meant strong demand for support of coercive public order. The resulting expansion of government measures would in all probability trample the human rights movement.

Since the Second World War, human rights violations within

More accounts of brutality follow the disclosures of deliberate blindings in Bihar

Indian police 'smashed the kneecaps of detained men'

From Trevor Fishlock
Delhi, Feb 2

Two months after disclosures that police blinded men in custody with needles and acid, India is reading a new account of police savagery that is equally shocking.

Four men have said they were tied and held down in police stations while booted policemen jumped repeatedly on their knees until the bones shattered. Three had legs broken so badly, and suffered such serious gangrene infection, that they each had to have a leg amputated. The fourth man, who also has an infection, faces the possibility of amputation.

Twelve cases of legs allegedly being broken in police stations in this manner have been uncovered. It is alleged that there have been scores of similar brutalities in the past six years. This new report deepens the sense of shame, bewilderment and helplessness that many

Indian people feel about the extra-legal activities of police who, in some parts of the country, rule by terror and with little regard for the normal procedures of arrest, court appearance and the assembling of evidence.

It will also harden the demand for reform of a police service poorly equipped for its difficult task and whose reputation is bad and deteriorating. The cases of leg breakings are documented in the magazine *Sunday*, published in Calcutta, which, with the *Indian Express*, exposed the blindings by police of more than 30 men in the state of Bihar.

The four men whose cases are reported are aged between 22 and 33. They are all alleged to have been attacked in police stations in the city of Varanasi, 400 miles from Delhi, a holy city for Hindus to which thousands make pilgrimages to

wash away their sins in the Ganges. The alleged assaults in these four cases took place during the past two years. The story told by Krishna Murari Singh, aged 29, is representative. He names the police officers who he says bound him and made him lie on the floor with his legs outstretched.

"Two people were standing on my thigh and stamping it. Then two caught hold of my left foot, lifting it upwards. One kicked my knee joint, breaking the kneecap. Then my left leg was stretched on the ground and a policeman's boots repeatedly pounded my damaged knee. I was asked whether I had heard the sound of the kneecap being shattered. Somebody lifted my left leg and rotated it. I experienced searing pain. Finally, somebody dropped a glass of urine on my left knee." His leg had to be amputated.

In all, the magazine interviewed nine men whose legs had been broken by the police and collected evidence of a total of 12 cases.

The magazine suggests that caste animosity may be at the root of the brutalities in Varanasi. Most of the victims belong to lower castes, it says, while policemen tend to be in the upper castes and are protected by politicians of their own caste.

The *Indian Express*, in a leading article today, says: "The known cases of atrocities by the keepers of law and order reveal only the tip of the iceberg, the bulk of which lies submerged in social apathy. Callous indifference makes our bloodthirsty police believe that they can get away with anything."

Nevertheless, the concern about the performance and behaviour of police forces in India seems to be growing.

'Five years left' to avert revolution

From Eric Marsden
Johannesburg, Feb 2

If armed revolution is to be avoided in South Africa, substantial steps towards social justice and power-sharing are needed in the next five years, Mr. Harry Oppenheimer, chairman of the Anglo-American Corporation, said here today.

Mr. Oppenheimer, who was addressing a foreign correspondents' luncheon, made it clear that, in spite of recent government actions and delays, the business community was still hopeful that significant reforms would be made to help blacks to advance. People had been looking to the new parliamentary session to see whether Mr. P. W. Botha's reform proposals would be transformed into fact, but instead an election had been called.

Much had been done already towards reform by the Government and by the business world, but a great deal more had been promised. The Government had a different concept of the role of private enterprise and thought it should play a part in carrying out Government policies. That is not what I thought," Mr. Oppenheimer added.

It was most important that black people should have a large part in private enterprise. This meant they must have freedom of movement. It was "not giving up yet" on the promises the Government had made on ending the pass laws and giving greater security in urban areas to blacks.

In the last 10 days there had been rapid changes including the banning of black news-

papers and journalists, the Maputo raid and the calling of the general election. All this had been justified by the need for a total defence strategy to meet a "total onslaught".

Mr. Oppenheimer gave a warning that such a total strategy could provoke, rather than defer, an onslaught. The banings were not justified and the Government's actions had increased pressure on South Africa at a time when there was relaxation of hostility in the West.

He shared the official view that terrorists must face the consequences of their acts, but questioned whether the Maputo raid was wise, even if it was not morally wrong. The Government had not given a satisfactory explanation.

Namibia clash: The South African Defence Force announced today that it had killed 15 members of the South West Africa People's Organization (SWAPO) during follow-up operations in the "operational area" along the Namibian border with Angola (Nicholas Ashford writes).

The operation followed a mortar attack by SWAPO against Oshana, the largest town in the Oshana region of northern Namibia.

Pakistan hopes visit will persuade Tehran to back Kabul initiative

From Hasan Akhtar
Islamabad, Feb 2

Mr. Agha Shahi, the Pakistani Foreign Minister, left here today for Tehran to discuss his country's initiative to open dialogue with the Kabul regime through the United Nations.

The Foreign Minister also intended to brief the Iranian Government on the deliberations of the recent Islamic Conference summit, which Iran had boycotted.

In January, Pakistan asked Dr. Kurt Waldheim, the United Nations Secretary-General, to nominate his representative to arrange trilateral talks between the Government of Pakistan, Iran and Afghanistan on the Afghan crisis arising from the Soviet military intervention over a year ago.

The Foreign Minister has repeatedly stated that it has been encouraged to seek dialogue with Kabul under United Nations auspices, because of an undefined flexibility lately in Soviet attitudes towards the Afghan crisis.

Pakistan has maintained an uneasy silence over the Pakistani initiative.

A positive response is eventually expected from Kabul, but there are doubts whether Tehran will accept the initiative.

Mr. Shahi is clearly hoping to seek Iran's endorsement of the Pakistani proposal. However it is no secret that at least some of the Iranian rulers have on various occasions expressed their antagonism towards the Pakistani military Government.

The animosity is generally attributed to Iranian revolutionaries, a deep resentment of any military regime, and a belief that Pakistan has been maintaining a tilt towards certain Arab states against the interests of Iran and Libya.

Pakistan has publicly maintained a non-partisan stand over the Iran-Iraq war. President Zia-ul-Haq was the first foreign leader to go personally to both Iraq and Iran to try and persuade the warring Gulf countries to seek a political settlement.

Pakistan believes that the rising tensions in the Middle East over Iran-Iraq conflict have

complicated the search for a solution of the Afghan crisis. Furthermore the French President's move to convene a world conference on the Afghan issue has certainly upset the authorities here.

The French move not only sought to scuttle the Pakistani initiative, but aimed to keep the Afghan pot boiling to ensure that the Soviet Army was prevented from invading Poland, according to the Pakistani press.

Visit to front: Mr. Shahi travelled to the southern front in the Gulf war today to meet President Bani-Sadr of Iran (Reuters reports from Tehran).

The official Press news agency said last week's Islamic summit in Saudi Arabia had asked Mr. Shahi to visit Iran again to try to find a solution to the Gulf war. Pakistani diplomats here would not confirm, however, that Mr. Shahi had come on a peace mission.

They said his talks would cover regional issues, including the Pakistani initiative to negotiate a political settlement in Afghanistan.

Kurds claim their forces have taken former capital

By Our Foreign Staff

Fighting has flared up again between Iranian Government forces and Kurdish rebels, according to reports from Iran. A spokesman for the spiritual leader of the Kurds, Sheikh Ezzeddin Hussein, told foreign correspondents by telephone that the traditional Kurdish stronghold of Mahabad, which has been in Government hands for the past six months, had been recaptured by Kurdish guerrillas.

The spokesman said there had been hundreds of casualties on both sides, and Government

forces were still bombarding Mahabad from positions above the town. Mahabad was the capital of the short-lived Kurdish Republic of 1946.

The Iranian authorities are reported to have offered the Kurds greater autonomy in return for Kurdish support for Iran in its war with Iraq. This offer apparently was turned down, however. The latest round of fighting is the heaviest for some time, and is reported to have spread to other towns close to the Iran-Iraq border, including Sanandaj and Saqqez.

Revolutionary Guards warn of conspiracies against Iran

From Tony Alloway
Tehran, Feb 2

Iran's powerful revolutionary guards have issued a strong warning against "conspiracies" to reintroduce a moderate government in Iran.

The statements, contained in a resolution issued after a three-day seminar of the revolutionary guards corps in the holy capital of Qom, were printed in the fundamentalist newspaper *Islamic Republic* today.

Political sources said today that pressure was increasing on Ayatollah Khomeini to replace the present Government because of its apparent inability to cope with the problems now facing the country.

They called for the "conspiracies of international imperialism and the United States strategy for bringing to power a moderate government" to be "exposed and discredited".

The statements, contained in a resolution issued after a three-day seminar of the revolutionary guards corps in the holy capital of Qom, were printed in the fundamentalist newspaper *Islamic Republic* today.

Political sources said today that pressure was increasing on Ayatollah Khomeini to replace the present Government because of its apparent inability to cope with the problems now facing the country.

They urged a move yet again in his last meeting with the Ayatollah. Dissatisfaction with the Government among sections of Tehran's bazaar is said to be adding to the pressure.

Sources said a protest closure planned by anti-Rajai elements in the bazaar last Saturday was called off after some "assurances" were given concerning the Government. But the bazaar itself is far from united and sources say another closure may be called next Saturday by those in favour of the Government.

Bazaar sources say the moderates there are pressing for the appointment of Mr. Sadat Tabataba'i, a former minister in the Bazaar government and said by some to have played a

key role in the hostage negotiations. The name of Mr. Mustapha Mir-Salim, head of the police and a moderate member of the dominant Islamic Republican Party, is also being canvassed.

Mr. Mir-Salim was the last-ditch compromise candidate put forward for the post by the President last year but was rejected by Parliament in favour of Mr. Rajai.

In Parliament today Mr. Hojatoleslam Hashemi Rafsanjani, the Speaker, flatly rejected a claim made by the President yesterday that the Parliament was bent on eliminating Mr. Bani-Sadr.

Iran has managed to increase its oil exports to more than 1,200,000 barrels a day, according to highly informed diplomatic sources here.

One said that this figure had been maintained from mid-December to mid-January. Of this a million barrels came from the Kharg Island oil terminal in the Gulf and 200,000 barrels from the Lavan offshore oil field.

Another source in contact with Kharg officials over the past week said that they had confirmed to him exports from the terminal of "a little over a million barrels a day".

This compares with just a trickle after the start of the Iran-Iraq war. Iraqi bombers have attempted to destroy the Kharg terminal on a number of occasions.

Vanuatu orders envoy to leave as break with France threatens

From Denis Reinhardt
Brisbane, Feb 2

The lights in France's recently completed embassy were burning late tonight as M. Yves Rodrigues, the Ambassador, packed to meet a 24-hour expulsion deadline announced by the Vanuatu Cabinet yesterday.

Tomorrow, five more French diplomats—half the mission's complement—have been ordered to follow him. Relations between France and the Government of the former New Hebrides condominium in the Pacific, shared with Britain until last July, now nearing complete rupture.

A £3.5m post-independence aid agreement due for signing with Paris today has been scrapped, and schools will not open until March 9 while an appeal is made to Australia for emergency budget support.

Britain may also be asked to provide further aid, Mr. John Beasant, a government spokesman told *The Times*.

The expulsions are retaliation for deportation from neighbouring French New Caledonia of Mr. Barak Sopa, head of the Vanuatu Prime Minister's department, who was attending a meeting of the Melanesian independence movement there.

Feeling among French settlers in New Caledonia runs high against the independence movement. The remote Pacific territory may provide votes crucial for the reelection of President Giscard d'Estaing, who appears anxious not to offend the colonies.

Mr. Sopa, who is also secretary-general of the ruling party in Vanuatu, flew to New Caledonia's capital Noumea on Saturday to address the annual congress of the territory's party Front d'indépendance. His visit, granted the day before by M. Rodrigues, was withdrawn soon after he landed by the territory's High Commissioner, M. Charbonnyaud.

While Mr. Sopa, chaperoned by French officials, waited for deportation on the first available aircraft, M. Rodrigues delivered a diplomatic note to

Father Walter Lini, the Vanuatu Prime Minister, saying the action had been taken "on instructions from Paris".

The Vanuatu Cabinet decided on the expulsions yesterday after France ignored a protest Note, lodged on Sunday, describing the deportation as "an unfriendly act".

A Vanuatu Government spokesman told *The Times* last night that France was expected to sever diplomatic relations. If the rift became complete, Vanuatu would allow the Front Indépendiste to establish a government-in-exile in Port Vila.

Warning from Paris: France has warned the Government of Vanuatu that it will have to bear the consequences of its decision to declare M. Rodrigues *persona non grata* (Ian Murray writes from Paris).

It seems certain, therefore, that the cooperation agreement between the two countries, negotiated last November, will not be signed as expected in the next few days.

A statement from the French Foreign Ministry today said that the reasons given for the expulsion by the government spokesman in Port Vila "do not conform with reality".

It went on: "The French Government considers that the completely unjustified decision to demand the departure of the French representative is explained in reality by the sudden refusal of the Government of Vanuatu to involve itself in the type of cooperation proposed by Paris".

The statement said that Mr. Barak Sopa, acting as Foreign Minister of Vanuatu, could not properly attend a meeting of the independence movement in New Caledonia. At the same time he had been invited to meet the French authorities in Noumea to discuss matters of common interest. This meeting had taken place as arranged.

Apart from the expulsion of the Ambassador, France is resentful of the fact that it has been instructed to reduce its embassy staff from 13 to five in keeping with the size of the British and Australian embassies.

Russia calls on Mr Reagan to end 'hostile campaign'

From Michael Bryson
Moscow, Feb 2

The Russians today called on Mr. Ronald Reagan to stop his campaign against the Soviet Union over the issue of international terrorism and concentrate instead on improving relations between their two countries.

Returning for his second day running to President Reagan's charges against the Soviet Union, the Soviet leadership again categorically denied that it had ever supported the theory or practice of terrorism, which it said was "alien" to the Soviet world outlook.

An official Tass statement, clearly authorized at the highest level, said the Soviet leaders had taken note of the "hostile campaigns" now being waged against the Soviet Union, and took it seriously. Since the remarks were made by a senior Administration official, Tass said—without naming President Reagan—they could not be ignored.

"This is not a matter of some occasional unhappy expression, but a deliberate political subversion," the statement particularly objected to the "dishonest device" of equating terrorism with the legitimate struggle of peoples for their national, economic and social emancipation. "It is only through ignorance or evil design that one can draw a parallel between these

two absolutely different things."

To do so was to mock the aspirations of millions of people on three continents, to accuse the dozens of new states in Africa, Asia and Latin America had emerged not as a result of a struggle for freedom and independence but simply as a product of terrorism.

The agency said the new "theorizations of terrorism" should, by their own logic, include George Washington and other founding fathers of the United States on a list of terrorists. "That is the kind of absurdity one can be led to by one's hatred of social change."

Tass again pointed to America as the real centre of terrorism, complaining that the Americans were still sheltering two Soviet aircraft hijackers who killed a stewardess.

In a sombre warning that appeared to be directed to Mr. Reagan personally, Tass added: "Soviet leading circles would like to hope that in Washington they will give serious thought to what the continuation there of the campaign hostile to the Soviet Union will lead to, and will take measures to stop it and get down to really important matters of which there are not a few concerning the adjustment of American-Soviet relations and normalization of the international situation in general."

Another hitch delays reusable space shuttle

From Our Own Correspondent
New York, Feb 2

The launching of the reusable space shuttle, already three years behind the original target date, is to be delayed further, it was announced today. The provisional launch date of March 17 has been abandoned and the new date will be at least a month later.

The latest delay has been caused by trouble with the insulation of the external tank which provides fuel for the three main engines.

Much of the previous delay has been due to similar problems with the insulation of the craft itself. The lightweight tiles which will prevent it from burning up when it returns to the Earth's atmosphere proved hard to fix and did not all fit properly.

Sex magazine interview angers preacher

From Michael Leppman
New York, Feb 2

Mr. Jerry Falwell, a fundamentalist preacher and founder of Moral Majority Inc., failed today to have his latest issue of *Penthouse*, a magazine of naked women, barred from the news stands.

The issue contains an interview with him by two British writers and, as he explained to a judge today, is a very poor package for the Gospel of Christ.

He asked the court to extend a temporary injunction against the magazine's distribution, granted on Friday. The judge refused and the magazine went on sale today. Mr. Falwell is suing *Penthouse* for \$100,000 (about £40,000).

Mr. Falwell claims that the two writers, Mr. Andrew Duncan and Mr. Sashi Brata, did not tell him that the interview would appear in *Penthouse*. It is especially poignant that it should have appeared in this publication because Mr. Falwell had criticized Mr. Jimmy Carter, the former President, for allowing himself to be interviewed for *Playboy*, a magazine of a similar complexion.

The preacher has become a national figure in the past year through his televised revival sermons and because of his support for Mr. Ronald Reagan during the election campaign. Mr. Falwell was one of several conservative churchmen to help the new President, an action some critics felt inappropriate.

Mr. Falwell said that he thought Mr. Duncan was writing a book about him and that Mr. Brata was interviewing him for a London newspaper. "I have never given interviews to suit magazines, nor do I practice swimming in cesspools," he said.

Dolphins save ferry children

Jakarta, Feb 2.—Three children on the Indonesian passenger liner *Tompompas II* that sank last Tuesday in the Java Sea, killing 140 people, were rescued by dolphins, the

Jakarta newspaper *Berita Buana* reported. Thrown into the water by their father, a group of dolphins came and pushed the boys to a lifeboat—Agence France-Presse.

OVERSEAS

Army prestige at its lowest ebb after Jiang Qing trial
Chinese concerned by terroristsFrom David Bonavia
Peking, Feb 2

Mr Deng Xiaoping, the Chinese Communist Party Vice-Chairman and the effective ruler of the country, has expressed concern over the activities of political opponents, which he said ranged from spreading rumours to arson and bombings.

In a recent talk to a high-level meeting of party leaders, Mr Deng also listed illegal publishing, dividing state secrets, spreading seditious reports, violating public order, kidnapping and plotting assassinations as other counter-revolutionary activities.

In another high-level talk, Mr Chen Yun, a party vice-chairman who oversees Chinese economic planning, has defended the slashing cutback on imports of foreign industrial equipment disclosed last year.

Mr Chen said world interest rates were not favourable to buy goods on credit, and he

defended the policy of reducing expenditure on heavy industry, to improve living standards and generate more exports through textile and light industries.

The recent flurry of policy statements by the Peking authorities seems to reflect concern at a deterioration of civil order and general loss of confidence on the part of the Communist Party and government bureaucrats.

According to Chinese sources, the recent trial of Jiang Qing, Mao Tse-tung's widow, and nine other defendants, on charges of counter-revolutionary activity, has caused considerable public unease, because it is now widely recognized that Mao supported the activities of the so-called Gang of Four—at least some of these activities.

Jiang Qing was sentenced to death, suspended for two years, to see "whether she will repent". The same sentence was pronounced on Zhang Chunqiao, another gang member who was formerly the Vice-

Premier, Mayor of Shanghai and Chief Commissioner of the Armed Forces.

Other defendants were given jail sentences from 16 years to life.

Several senior army commanders in China are believed to be resentful over the fact that four of the five military defendants were senior staff officers (including Huang Yongsheng, the former chief of staff), were accused of plotting to kill Mao.

The Army's prestige has sunk to its lowest ebb because of the trial, the policy of curbing back heavy industrial investment, some of which is probably related to military modernization, and the reassertion of party control over the military.

It is widely felt that Mr Deng will have to act quickly to placate the army commanders, and find some way to assuage the fears of the middle-level bureaucracy, whose active support is essential to the cherished modernization programme.

Nephew of Mao
'to be put on trial'

Peking, Feb 2.—Mao Tse-tung's nephew and 12 former senior military officers are to face trial as part of a broader purge of officials after the sentencing of the so-called Gang of Four, according to an official newspaper in north-east China.

Mr Mao Yuanxin, aged 41, the late Chairman's nephew, was once described as the overlord of north-east China and he was reputed to be one of his uncle's most confident supporters during the Communist leader's last years.

Two members of the Gang of Four received death sentences eight days ago for crimes that they were convicted of committing during the 1966-1976 Cultural Revolution.

The north-eastern *Heilongjiang Daily* in a report on the proposed trials alleged that Mr Mao Yuanxin had "taken refuge with Jiang Qing (Mao's widow), actively took part in the Jiang Qing counter-revolutionary clique's conspiratorial activities and committed towering crimes against the party and the people".

The paper did not specify the time or place of his trial.

The former officers to be tried included Mr Lu Min, the former chief of the operations department of the Air Force command, according to the paper. The officers would appear before a military court on charges of involvement in a plot to kill Chairman Mao.

The *Heilongjiang Daily* said in a two-paragraph report that Mr Mao Yuanxin had taken advantage of his "special position" but it did not refer directly to his relationship to Mao Tse-tung.

Another provincial paper, the *Xinhua Daily* from Nanjing in south China, reported that two local "counter-revolutionaries" had been jailed for between 10 and 15 years for stealing weapons and explosives with which they had planned to carry out sabotage.

It said the arrest of Mr Yin Xiaokou and Mr Su Shunde had meant that supporters of the Gang of Four still posed a threat and that some of them were out to wreak vengeance on the party for the fall of the radicals.—Reuters.

Fashion
by
Suzy Menkes

Below: Pure wool jacket in banana yellow, navy, pink, white, red and pale green £205. Silk shirt with tie neck £91.25 from a selection in assorted colours. Grey flannel trousers £117.25. Leather belt £19.50. Golden faceted beads, and earrings from a selection, all at Yves Saint Laurent Rive Gauche branches 36 Brompton Road, 113 New Bond Street and the London Intercontinental Hotel, Hyde Park Corner.

Hair by Sam McKnight at Daniel Galvin.

Makeup by Linda Cantello.

Photograph by Neil Kirk.

Déjeuner sur l'herbe with
Yves Saint Laurent

Six clones of chic confront me across the catwalk at Yves Saint Laurent. Each Rothschild Baroness has the same falcon-like profile, a sunburst of diamonds at the earlobe and a silk blouse tied in a pussy-cat bow at the neck.

They purr with pleasure right from the start of his couture show, as a strict suit, with finger-tip jacket and short straight skirt, swings out to the strains of *Shaboo*.

Yves Saint Laurent is a master of the man-tailored suit coupled with a feminine shirt. His daywear is a constant theme in black, white and grey—chalk striped and pin stripes,

houndstooth check and Prince of Wales, worn with classic trousers or a slim skirt ending just above the knee.

The line for spring has moved gently down to the hips, to balance the shorter hemline, and the newest jackets are bloused and belted at the hip or short and curvy.

The tunic is another Saint Laurent classic. It looks stunning in the Impressionist prints—pointilliste dots or Renoir roses—that Yves Saint Laurent has taken as this season's theme. The prints appear at first as gentle adjuncts to the severe suits—just a soft chiffon blouse that later grows into a three-quarter length tunic, especially striking in bright

suicides—colours like orange or leaf green that are more reminiscent of the febrile Van Gogh than the fragile Impressionists.

The daywear seems to dominate the couture collection, the outfits subtly edged towards evening glamour, by the addition of a gilded leather straight skirt or a sparkling camisole.

I wonder who but Nancy Reagan and her entourage would wear the navy shantung dress with touches of white, or whether the Rothschild Ladies will really go to a grand soirée in a short ball dress—a full tulle skirt cropped off at the knees?

Then Yves Saint Laurent starts to unroll his Impressionist canvas—soft broken-surprise roses, on off-the-shoulder tunic in Saint damask. A delicate Degas-pink artists' smock. Big ball skirts in moiré, watermarked like the ripples in a Monet painting.

Slim columns of satin come out in Saint's stronger colours, or in lacquer black satin and gold lame.

Here, in the most intricately worked Chantilly lace, is the see-through blouse that earned Yves headlines of condemnation ten long years ago. There are floating organdie evening dresses embroidered with encrustations of roses in the grand tradition of haute couture.

And finally here is a *Shoehorn* wedding, a black model in frills of white organdie threaded with gold, which brings the audience cheering to its feet as the lean, scholarly figure of Yves Saint Laurent himself takes a shy turn down the catwalk.

I am sitting in a cafe opposite Saint Laurent's atelier, anxious for my interview and eager to avoid the traffic chaos caused by the state visit of the President of Brazil.

reflect on the immense achievement of the man who at 44 is unquestionably the most influential fashion designer in the world.

His achievement can be measured not in his shows, however masterly, but in the streets. Every woman who walks by the cafe window is wearing the coordinated separates he first made fashionable 15 years ago. The plate glass boutique windows carry versions of his man-scaled suits and every other female, from 15 to 50 is wearing trousers.

If you tell teenagers today that women had to fight to make trousers acceptable to head waiters, hoteliers and bosses they simply will not believe you.

The entire basis of our current fashion wardrobe—straight trousers, velvet blazers, tweed jackets, related sportswear, all emanate from Yves Saint Laurent. No wonder that his best-known remark is that he regrets not having invented blue jeans.

Eleven gendarmes, a police van and an atmosphere of refined panic greet me at the mansion that houses St Laurent's haute-couture.

They are rolling back the dust covers across the fancy Second Empire mirrors, swinging the ladders perilously close to the giant chandelier. The wife of the President of Brazil is here. *Mon Dieu*, says the country's financial position is catastrophic, is due any minute for a private fashion show.

Yves' elegant assistant tells me that she is desolate, but Yves Saint Laurent is still resting at home. Yes, she knew that I had come to Paris especially on her summons. He had definitely said that in principle he would like to talk to me. Could I call back a little later?

By the time I have counted all the water marks on the Nile green carpet, all the swirls on the marbled pillars, all the lacquered branches decorating the boutique (and lost count of all the phone calls) I say firmly that when M Saint Laurent wants to write to London to invite me, I shall think about coming back...

The reflections sparkle Monet-like on the flooded motorways by the Seine as my taxi speeds me to the airport.

How can I explain in London, that an audience with Yves Saint Laurent is rather like waiting at the court of a Saudi Arabian Prince? Fixing an interview is not at all the same thing as getting one.

I have worked hard at the background of my picture. My notebook is filled with statistics of the 160 Rive Gauche boutiques world-wide, of the head-to-toe diffusion of everything from make-up to shoes.

I have inspected the spanking new high tech showroom with its cold tiled floor and grey steel chairs.

I have been told more than I need to know about Yves Saint Laurent himself—his childhood in Algeria, his early years with Dior, his enthusiasm for art and opera, his designs for theatre and film.

But at the centre of my canvas there is still a naked figure, an enigma, a jarring contrast to the detail of the rest.

But of course I shall tell them back home that I much enjoyed my *Déjeuner sur l'herbe* with Yves Saint Laurent.

Editor turns
his back on
communismFrom Our Correspondent
Kuala Lumpur, Feb 2

Mr Samad Ismail, the prominent Malaysian journalist released on Saturday after four and a half years of preventive detention, today renounced his communist beliefs and said he found great solace in "the path of God".

Mr Samad, the former managing editor of the *New Straits Times* group of newspapers, has not been released from detention yet but sources said he would be after his second public statement had been broadcast over the government radio and television network tonight.

In what he said was a voluntary statement, he said his statement was aimed at warning the people of Malaysia and Singapore not to fall into the trap laid for them by the banned underground Malaysian communist movement, of which he was a member for three decades.

Mr Samad's first statement was made six months after his detention in June, 1976. His second comes barely a month after the chairman of the Malaysian Communist Party, Mr Musa Ahmad, renounced his beliefs and defected to the Government.

A prominent writer, he had served two years in preventive detention in 1951 for his anti-colonial and anti-British views. He detailed his "entrapment" by the Communists and warned the youth of Malaysia and Singapore not to fall into the same trap.

Mr Samad, aged 57, has two offers of jobs in United States universities and his family said today he would decide on his future after his return home.

Fresh talks with
Guatemala
on Belize futureBy David Spanier
Diplomatic Correspondent

Another step towards the independence of Belize will be taken this week, with the announcement yesterday of a further round of talks in New York between Britain and Guatemala.

Guatemala remains opposed to Britain granting independence to its Latin American colony. The British Government has made it clear that it intends to press ahead with a constitutional conference, in the light of the overwhelming vote at the United Nations last November in favour of early independence.

The Foreign Office said yesterday it was hoped that a settlement could be reached with Guatemala, before Belize attained independence. No date had been set yet, it was stated, "but early independence is the key".

The talks on Thursday and Friday represent the final stage in the attempt to persuade Guatemala to accept the inevitable. Although no territorial concessions are being made, it is possible that Guatemala could gain some benefits in communications and related matters. Belize's representatives will, of course, also be present at the talks.

Mr Trudeau got British warning

From John Best
Ottawa, Feb 2

Mr Pierre Trudeau, the Canadian Prime Minister, acknowledged today that one of Mrs Thatcher's ministers urged him last December to refer his Government's constitutional reform plan to the Supreme Court of Canada for an opinion as to its validity.

He was replying to a Conservative opposition MP, who asked whether the minister, Mr Francis Pym, had argued for such a reference on the grounds that without it British MPs would be "uneasy" about dealing with legislation affecting the Canadian constitution.

Mr Pym, at that time Defence Minister, and now Government leader in the House of Commons, paid a one-day visit to Ottawa on December 19 in the course of which he conferred with Mr Trudeau.

The Prime Minister told his restorer, Mr Elmer Mackay, today: "It is probable that Mr Pym said words to that

S Korea is assured of
continued US supportFrom Our Own Correspondent
Washington, Feb 2

President Reagan today assured President Chun Doo Hwan of South Korea that the United States would remain a "reliable" ally by keeping its existing forces in the Pacific area.

"I hope that our Asian allies—Korea, Japan, Australia, New Zealand, and our friends in the Asian (Association of South East Asian Nations)—know that we will have just as much alliance with them and they will have our continued support as our European allies will".

Mr Reagan added, he was speaking at a three-hour meeting with the South Korean leader at the White House.

Mr Reagan's promise of continued military support for South Korea came as no great surprise here, since the new administration has made it clear it wants a more cordial relationship with Seoul. The pledge means that former President Carter's original plan to phase out the 39,000 American

troops in South Korea has finally been scrapped.

President Chun is the first South Korean leader to visit the United States in more than a decade.

Since his arrival in Washington last night, the South Korean leader has been followed by a group of about 3,000 cheering members of the capital's Korean association, as well as a smaller band of about 100 protesters. The latter are demanding the release of Mr Kim Dae Jung, the South Korean opposition leader whose death sentence on sedition charges recently was commuted to life imprisonment.

The protesters claim that the larger group of supporters of President Chun includes "pseudo-crowd" members of the Unification Church (the Moonies). This is denied by the Korean association, although demonstrators were organised by the Moonies on at least one occasion when he visited the United States.

Pol Pot faction may step down to help
formation of united Khmer frontFrom David Watts
Bangkok, Feb 2

Mr Son Sanna, leader of the Khmer People's National Liberation Front (KPRLF), is to replace Mr Khieu Samphan as leader of the ousted Government of Democratic Kampuchea, according to the Thai Government.

However, a spokesman for the front said Mr Son was not prepared to make the transition because of the bloody reputation of the Khmer Rouge, the military wing of the Government of Democratic Kampuchea. He was happy to accept former Khmer Rouge into his movement as nationalists.

New "Son Sanna" agreement to lead a united front of his KPRLF and the Khmer Rouge first surfaced today in

the English-language *Bangkok Post* newspaper which reflects the opinions of the Thai Government. A government spokesman said the story was "very accurate".

Whether or not Mr Son, who lives in a jungle camp across the Thai border in Kampuchea, has yet agreed to lead a united front of Kampuchians is unclear.

At a press conference yesterday Mr Zhao Ziyang, the Chinese Prime Minister, hinted that such a united front was in the offing and Mr Son himself announced last month that he would form a provisional government before the next session of the United Nations General Assembly.

The *Bangkok Post* said that as well as leading the Democratic Kampuchean Govern-

ment Mr Son would take over the Foreign Ministry portfolio at present held by Mr Khieu.

The paper went on to say that Mr Pol Pot, now running military operations, and Mr Ieng Sary, the present Foreign Minister, had also agreed to step down. The paper said they might go into exile in China.

Clearly, much Chinese pressure would have been necessary to bring about the reported shotgun wedding. The Chinese have become concerned at the erosion of diplomatic support for the Democratic Kampuchea Government—the most recent government to withdraw recognition being Australia—and the possibility that the Vietnamese-installed Heng Samrin regime might take over the Kampuchean seat at the United Nations.

800,000 Chinese head for
new year celebrationsFrom Our Correspondent
Hongkong, Feb 2

"Thousands of Chinese are already flocking over the border from Hongkong to celebrate with relatives and friends in China the lunar new year festivities of the year of the cock, which begins officially on February 5.

Eight thousand left by train yesterday for the Immigration Department expects that 800,000 will visit China during the first two weeks of February—an increase of 50,000 over the same period last year.

Most are heavily burdened with gifts of radios, television food and clothing, waiting with Chinese patience in stretching queues for the 32 trains which run between Hongkong and Canton every 24 hours.

The cock (called the rooster by decorous foreigners) is the zodiac of 12 non-humans in the Chinese lunar calendar, based

on the legend that Buddha summoned all the animals in creation to wish him farewell on his death-bed. Only 12 showed up—first the rat, followed by the ox, the tiger, the hare, the dragon, the snake, the horse, the ram, the monkey, the cock, the dog and the wild boar.

That remains the recurrent order of the 12 years of the zodiac calendar.

Soothsayers in Hongkong predict hopefully that the coming year of the cock will be a year of hard work when inflation will level off in both the East and the West.

Coincidentally, the Government has announced that the year of the cock will usher in Hongkong's 12-year plan to spend \$HK1.3 billion (£104m) on increasing the supply of water from China. Seven new pumping stations, 20 miles of tunnel and 20 miles of pipeline will be built. The three-stage plan will be completed in 1994.

Briton 'left to
sit and rot
in Havana jail'

Vero Beach, Florida, Feb 2—

Terry Child, a 29-year-old Briton held in a Havana prison, has been found hanged in his cell, his wife said today.

Blaming British official neglect of his case, Mrs Susan Child, an American, said she had been informed that her husband had hanged himself in his cell on Friday.

She added: "The British just let Terry sit and rot in that hell-hole of a jail. We tried and tried to get him freed, but our hands were tied without the British. His blood is on their hands."

Mr Child, a British subject, had been jailed for drug-smuggling charges after his light aircraft was forced to land in Cuba on a trip from Colombia on April 13, 1978.

A distraught Mrs Child said she could not believe that her husband had committed suicide, because she received a cable from the British Embassy in Havana only last month informing her that they had started work on his release.

"All these years they let him sit there and did nothing. Dozens of American prisoners released from Cuba were in jail on the same trumped-up charges", she said.

But Mrs Child also said that she was perplexed by her husband's suicide because the British Embassy had finally started moving on his behalf.

"He knew his release was pending. So I can't understand the suicide. I'm going to have an autopsy performed when the body gets back here on Friday", she said.

Mrs Child had been bitterly disappointed last October when her husband, who had lived in the United States for eight years, was not with 33 American prisoners released by President Fidel Castro.

Mr Cyril Gray, spokesman for the British Consulate in Atlanta, Georgia, said today: "We have normal diplomatic relations with Cuba and we ascertained that Mr Child had a fair trial. There was nothing more that could be done."

"It was only after the Americans were released last year that we decided to try to get Mr Child deported", he said.—Reuters.

Below right: Renoir roses on a tunic dress.
Below left: Organdie frilled wedding dress inspected by a shy Yves Saint Laurent.
Photographs by Michel Arnaud



Snippets

The grown-up equivalent of a kid let loose in a sweet shop, is a woman allowed to try out any make-up she likes, without interference or pressure from a soignée salesgirl.

The Beauty Playground at Selfridges (from today until February 14) has become an annual event. You can paint your face from a central selection of products from famous name beauty houses—everyone from Revlon to Rubinstein, Arden to Dior. The firms represented will advise and help, but to buy the products you have to go down from the fourth floor to the ground floor.

Joan Price, whose Face Place Shops have a policy of non-indistinctness, has helped to organize the Beauty Playground. Her book *Making Faces* (published last autumn by Michael Joseph, £9.50) is full of good ideas and information on how to make the best of your looks.

Gifts—with purchase: that standard way to tempt us into beauty departments, will be a feature of a beauty promotion starting this Friday, February 6, at D.H. Evans. They will also be offering beauty experts to show you how it is done and in-store demonstrations.



Left: Short curvy jacket, straight skirt, romantic lacey blouse.
Right: Chalk-striped trouser suit belted at the hips.

SALE

of all types of SWISS fabrics
FINE DRESS FABRICS
87 Baker St. W.1.
01-555 5876

PARLIAMENT, February 2, 1981

Human error led to Brixton escape: security check to be carried out

House of Commons. Mr. William Whitlaw, Home Secretary, announced in a statement that he had asked the chief inspector of prisons to carry out an inspection of Brixton prison, and to report on the security of the prison. The statement was made in the House of Commons on December 16. Mr. Whitlaw said that the chief inspector of prisons, Mr. Gordon Fowler, had reported that the escape of the prisoners from Brixton was due to a combination of factors, including human error, and that the security of the prison was not as good as it should have been. He said that the escape was a serious failure, and that it was necessary to carry out a security check of the prison. Mr. Whitlaw said that he had asked Mr. Fowler to carry out a full inspection of the prison, and to report on the security of the prison. He said that he would be acting on the report, and that he would be taking steps to improve the security of the prison. Mr. Whitlaw said that he was sorry that the escape had happened, and that he was determined to ensure that it did not happen again.

The escape of the prisoners from Brixton was a serious failure, and it was necessary to carry out a security check of the prison. The chief inspector of prisons, Mr. Gordon Fowler, had reported that the escape was due to a combination of factors, including human error, and that the security of the prison was not as good as it should have been. Mr. Whitlaw said that he was sorry that the escape had happened, and that he was determined to ensure that it did not happen again. He said that he had asked Mr. Fowler to carry out a full inspection of the prison, and to report on the security of the prison. He said that he would be acting on the report, and that he would be taking steps to improve the security of the prison. Mr. Whitlaw said that he was sorry that the escape had happened, and that he was determined to ensure that it did not happen again.

is too much, and in the west, it is not sufficient. It is right in the circumstances, and it is the responsibility of the government to ensure that the security of the prison is as good as it should be. Mr. Whitlaw said that he was sorry that the escape had happened, and that he was determined to ensure that it did not happen again. He said that he had asked Mr. Fowler to carry out a full inspection of the prison, and to report on the security of the prison. He said that he would be acting on the report, and that he would be taking steps to improve the security of the prison. Mr. Whitlaw said that he was sorry that the escape had happened, and that he was determined to ensure that it did not happen again.

Battery hen the most miserable creature

House of Lords. When the committee stage of the Wildlife and Countryside Bill was resumed, the Earl of Avon, a Lord in Waiting, said that the bill was a disgrace to the House of Lords. He said that the bill was a disgrace to the House of Lords because it was a disgrace to the House of Lords that it should be dealing with a bill that was so poorly drafted. He said that the bill was a disgrace to the House of Lords because it was a disgrace to the House of Lords that it should be dealing with a bill that was so poorly drafted. He said that the bill was a disgrace to the House of Lords because it was a disgrace to the House of Lords that it should be dealing with a bill that was so poorly drafted.

Rights for parents of handicapped children

Criticism of the Government's decision to introduce the Education Bill to help children with special educational needs, without allowing extra resources to be allocated to schools. Mr. Charles (Runcorn, C) said that the bill was a disgrace to the House of Commons. He said that the bill was a disgrace to the House of Commons because it was a disgrace to the House of Commons that it should be dealing with a bill that was so poorly drafted. He said that the bill was a disgrace to the House of Commons because it was a disgrace to the House of Commons that it should be dealing with a bill that was so poorly drafted.

Minister to have talks this week with chairman of Arts Council

Mr. Paul Channon, Minister of State for Education and Science, will be in talks with the chairman of the Arts Council, Mr. John Birt, this week. Mr. Channon said that he was looking forward to the talks, and that he was sure that they would be a success. He said that he was looking forward to the talks, and that he was sure that they would be a success. He said that he was looking forward to the talks, and that he was sure that they would be a success.

Many sections of BSC showing that competitiveness offers best hope

What hope, help and encouragement can be offered to the steelworkers, textile workers, paper makers, and other workers in the manufacturing industry? The answer, according to many sections of the British Steel Corporation, is that competitiveness offers the best hope. The BSC said that it was determined to improve its competitiveness, and that it was determined to improve its competitiveness. The BSC said that it was determined to improve its competitiveness, and that it was determined to improve its competitiveness.

Opposition complain about lack of resources

Mr. Neil Kinnock, chief Opposition spokesman on education, said that the Government was not doing enough to provide resources for schools. He said that the Government was not doing enough to provide resources for schools, and that it was not doing enough to provide resources for schools. He said that the Government was not doing enough to provide resources for schools, and that it was not doing enough to provide resources for schools.

Need for specialist teachers

The Education Bill, which provides for the introduction of specialist schools, has been welcomed by many people. However, some people have expressed concern about the need for specialist teachers. They said that the Government was not doing enough to provide resources for specialist teachers, and that it was not doing enough to provide resources for specialist teachers. They said that the Government was not doing enough to provide resources for specialist teachers, and that it was not doing enough to provide resources for specialist teachers.

Archaeology Early Swahili town discovered on Kenya coast

Archaeologists have discovered an early Swahili town on the coast of Kenya. The town was built on a hill, and it was built in the 12th century. The town was built on a hill, and it was built in the 12th century. The town was built on a hill, and it was built in the 12th century.

Parliamentary notices

House of Commons. Debate on Opposition Motion on 3.2.81.

Parliamentary notices

House of Lords. Debate on Opposition Motion on 3.2.81.

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House of Commons. Debate on Opposition Motion on 3.2.81.

SPORT Cricket

Chappell: skipper whose ship died of shame

From Philip Rao
Sydney, Feb 2

There could not be a lonelier man in the cricket world today than Greg Chappell, Australia's captain, who yesterday took the north-eastern tour of the world of having his younger brother, Trevor Chappell, deliver underarm the final ball of the third match in the best-of-five final against New Zealand in the Benson and Hedges World Series Cup one-day competition at the Melbourne Cricket Ground. He has been assailed by angry words from all directions, fan Chappell, another brother, not excluded.

The tactic which Chappell now regrets having employed, was designed to prevent Brian McKechnie, a New Zealand batsman, hitting a six and levelling the scores. It succeeded and Australia advanced to a 2-1 lead in the series. The remaining legs will be played at the Sydney Cricket Ground tomorrow and the final will be played at the Melbourne Cricket Ground on Thursday. It is expected that the match will be played on Thursday if either is washed out or tied.

As is their practice in an emergency, the Australian Cricket Board met today by telephone and decided that if New Zealand agreed, the playing conditions of the competition would be amended "to prohibit the use of underarm bowling in the remaining matches". But they also decided that no existing match had been infringed by the Melbourne result must stand.

But Philip Riddings, chairman of the board, said after the meeting: "The board deplores Greg Chappell's action and has advised him to resign his captaincy. It is a matter of discipline and responsibility as Australia's captain to uphold the spirit of the game at all times. We acknowledge that his action was within the letter of the game, but that it was totally contrary to the spirit in which cricket has been and should be played."

Chappell, after being rebuked by the board, said: "While I took a decision which was within the rules, I recognise the fact that it was a tactical move. I made my decision in the heat of the moment, when I was under pressure. But I regret it. It is something I would not do again."

The board's censure would have put Chappell's last day in the office of the Australian Cricket Board. But Chappell, who has been a great upholder of cricketing traditions, said: "Several former

Australian captains waxed eloquent on the issue and spoke of their sympathy for Greg. One of them, who wrote: "Fair dinkum, Greg, how much pride do you sacrifice to win \$35,000?" Another rebel of his nine, Keith Miller, said: "Yesterday's cricket was a disgrace. Greg Chappell should be buried with it."

This plea from Miller did not find a deaf ear for it is widely said here some of the members who "attended" the telephonic board meeting wanted Chappell relieved of captaincy but were dissuaded by the prospect of a bitter feud over his succession. Premiers react: The Prime Minister of Australia, Mr. Malcolm Fraser, and the Prime Minister of New Zealand, Mr. Robert Muldoon, respectively, joined the fierce controversy over Greg Chappell's action. In Wellington, Mr. Muldoon said the underarm delivery was an "act of cowardice" and it was appropriate that the Australian team were wearing yellow. Mr. Fraser said he would not respond to Mr. Muldoon's comment, but he said that Greg Chappell had made a serious mistake contrary to the traditions of the game.

Chappell's action has engendered such hostility that the good cricketing relationship between Australia and New Zealand has been irreparably damaged and Chappell's own international cricket career as a spokesman severely impaired.

The overall feeling of Australian and New Zealand supporters is that Chappell's action and his advice to the board's ruling to resign from this matter and of his responsibility as Australia's captain to uphold the spirit of the game at all times. We acknowledge that his action was within the letter of the game, but that it was totally contrary to the spirit in which cricket has been and should be played."

Chappell, after being rebuked by the board, said: "While I took a decision which was within the rules, I recognise the fact that it was a tactical move. I made my decision in the heat of the moment, when I was under pressure. But I regret it. It is something I would not do again."

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Home tournament to stay but with different format

The four home football associations have all come out in favour of keeping the British championship, although it is to be changed to a new format. The Football Association, the Scottish Football Association, the Football League and the Football Federation of Wales have all agreed to keep the British championship, although it is to be changed to a new format. The Football Association, the Scottish Football Association, the Football League and the Football Federation of Wales have all agreed to keep the British championship, although it is to be changed to a new format.

Blyth Spartans face long Trophy journey

A 600-mile round trip to Cardiff, the Blyth Spartans will face a long journey to the final of the FA Cup. The team, who are currently in the third round, will have to travel to Cardiff for the final. The journey is expected to be a long and tiring one for the players.

Today's fixtures

| Division | Home | Away | Time |
|-------------------------------|---------------------|--------------|------|
| First Division | Queens Park Rangers | Cardiff City | 3.00 |
| Second Division | Sheff Wed | Sheff Friars | 3.00 |
| Third Division | Colchester | Exeter | 3.00 |
| Fourth Division | Northampton | Yeovil | 3.00 |
| Football League | Sheff Wed | Sheff Friars | 3.00 |
| Football Federation of Wales | Cardiff City | Cardiff City | 3.00 |
| Scottish Football Association | Cardiff City | Cardiff City | 3.00 |
| Football Federation of Wales | Cardiff City | Cardiff City | 3.00 |
| Scottish Football Association | Cardiff City | Cardiff City | 3.00 |

Tennis

Fibak has no answer to Tanner power

Philadelphia, Feb 2—Renee Fabiani, a 19-year-old tennis player, has no answer to the power of Tanner. Fabiani, who is ranked 10th in the world, was defeated by Tanner in a straight sets match. Tanner, who is ranked 1st, was dominant throughout the match.

Rodgers returns to hospital for third time

Spare a thought for Dave Rodgers, the Bristol City centre-half, who is in hospital for the third time this season. Rodgers, who is 28 years old, has been injured in three separate incidents. He is expected to be in hospital for at least a week.

Mottram back for cup tie with Czechs

Christopher Mottram, recovered from illness, is available for Britain's King's Cup team in the home tie against the Czechs. Mottram, who is 25 years old, has been out of action for several weeks due to illness. He is expected to start in the match.

Ice skating

Championships enjoying the spice of uncertainty

From John Hennessy
Innsbruck, Feb 2

Rarely has an international figure skating season opened with a point to prove the national champions. The championships are enjoying the spice of uncertainty. The British skaters, who are ranked 1st, 2nd, and 3rd, are all expected to be in the final. The competition is expected to be a close one.

Latest European snow reports

| Country | Depth (cm) | Conditions | Weather |
|-----------------|------------|------------|---------|
| France | 100 | Good | Fine |
| Germany | 150 | Good | Fine |
| Italy | 200 | Good | Fine |
| Switzerland | 250 | Good | Fine |
| Austria | 300 | Good | Fine |
| Czech Republic | 350 | Good | Fine |
| Slovak Republic | 400 | Good | Fine |
| Poland | 450 | Good | Fine |
| USSR | 500 | Good | Fine |
| Finland | 550 | Good | Fine |
| Norway | 600 | Good | Fine |
| Sweden | 650 | Good | Fine |
| Denmark | 700 | Good | Fine |
| Netherlands | 750 | Good | Fine |
| Belgium | 800 | Good | Fine |
| Luxembourg | 850 | Good | Fine |
| Ireland | 900 | Good | Fine |
| United Kingdom | 950 | Good | Fine |

Yesterday's results

| Division | Home | Away | Score |
|-------------------------------|---------------------|--------------|-------|
| First Division | Queens Park Rangers | Cardiff City | 1-0 |
| Second Division | Sheff Wed | Sheff Friars | 2-1 |
| Third Division | Colchester | Exeter | 1-1 |
| Fourth Division | Northampton | Yeovil | 2-0 |
| Football League | Sheff Wed | Sheff Friars | 2-1 |
| Football Federation of Wales | Cardiff City | Cardiff City | 1-0 |
| Scottish Football Association | Cardiff City | Cardiff City | 1-0 |
| Football Federation of Wales | Cardiff City | Cardiff City | 1-0 |
| Scottish Football Association | Cardiff City | Cardiff City | 1-0 |

Today's fixtures

| Division | Home | Away | Time |
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Today's fixtures

Mr Len Murray attacks the staggering decline in the economy and argues for a national investment bank funded from North Sea oil revenue

There is an alternative for recovery

"If we carry economy of every kind to its logical conclusion, we shall find that we have balanced the budget at night on both sides with all of us flat on our backs starving to death. What are we releasing resources for today? To stand at street corners and draw the dole."

Fifty years on, the policies of today's Government have a ring of frightening familiarity to those that John Maynard Keynes so scathingly dismissed.

Circumstances change. Problems take on new dimensions. But the lessons of history should not be so lightly dismissed. Unions are ready to learn from their experience. Union representatives from all over Britain will be meeting at the TUC today to consider how the organization, structure and services of their national centres can best be developed. Trade unionists know that their institutions and working methods need to develop and adjust in line with new circumstances and changing demands.

Deep-seated economic problems form the backdrop for our debate. Key industries are uncompetitive in a depressed and dangerous world trading environment. Instead of addressing these underlying problems this Government has aggravated and intensified them.

The list of Britain's malaises

is all too familiar: basic industries running down to the point of collapse, imports pushing British goods off the shelves in our shops, basic services stretching and straining trying to cope with ever-growing needs with ever-dwindling resources. The result of these ailments is the ugly and painful running sore of mass unemployment.

In less than two years in office the Government has brought about a decline in our economy of staggering proportions. Last year output fell by 3 per cent from the 1979 level. Investment fell by 4 per cent in only the first six months of 1980. Cuts have been made in the public spending programmes planned by the last government hitting standards of health care and education, and penalising social security claimants. Key industrial sectors have been squeezed and squeezed again. Between the second quarter of 1979 and the third quarter of 1980 total manufacturing production fell by 15 per cent.

More than a million people have been added to the unemployment register, while hundreds of thousands of others have been condemned to short-time working. A million more people who do not appear in the register search vainly for work.

Meanwhile, the Government can hardly claim much success

in reducing inflation. The rate of inflation may be falling, but only the VAT-induced inflation which the Government itself caused.

The Government has manifestly not succeeded in implementing policies which can allow output growth and the control of inflation.

Despite the Government's strident protestations to the contrary there is an alternative to this growing catastrophe. The TUC's *Economic Review*, published yesterday, offers a plan for growth and national recovery.

We have to have a programme for bringing down inflation side by side with meeting other equally important objectives of economic policy.

The TUC's plan looks

rationally at the savings side of the economy and the investment side of the economy to make sure we use all our real resources effectively. As a painful illustration of the general thesis of the waste of resources in the present policy, no more extreme illustration can be found than the case of the North Sea oil revenues.

When the Labour government produced its White Paper on the uses of North Sea oil revenues three years ago, there was a useful debate about the proper balance of deployment between industrial investment, public investment, increased consumption and investment overseas. What no-one sug-

gested at that time was there could be a fifth or sixth option, namely that North Sea oil revenues should be used exclusively to finance a growing number of unemployed people.

This year North Sea oil revenues amount to more than £5,000m. Meanwhile, the present level of unemployment means a loss of output of £18,000m. There could be no crazier way to run the economy than that.

The strategic use of North Sea oil revenues remains one of the keys to a rational plan for the future. The energy revenues, combined with the great resources of the pension funds, should jointly fund a national investment bank with the powers to stimulate the industrial regeneration that is so badly needed.

Public expenditure should be used to start repairing the economy, boosting output and employment. Capital investment in our industrial infrastructure—like transport and energy—could act as an engine for growth.

To rebuild British industry import penetration must be controlled—not by blanket protectionism but by "managing" trade, giving selective help to those sectors that are most in need.

The TUC is not in business to make a fetish out of economic centralization. We are actually aware of the growing pres-

ures from above and from below in managing an economy which has a uniquely long and challenging history of democratic development. We can all see from a safe distance how complex these problems are in Poland and we sympathize with the endeavours there to find constructive solutions.

Ministers' sympathetic rhetoric about human freedoms a thousand miles away seems to bear little relationship, however, to their domestic approach to these issues.

The ingenuity, inventiveness and initiative of the trade union movement is being deployed day in and out up and down the country in the service of working people. In the drawing on our energy, and challenging the movement to take on greater responsibilities, this Government has placed dogma before consensus.

The TUC's plan for growth is now on the table with the Government. At the National Economic Development Council tomorrow the TUC will be seeking the support of the Government, and the Confederation of British Industry for a new start in really tackling the deep-seated problems of the British economy.

The depth and severity of our problems means that action is needed now. As a first step towards recovery in the budget the Government

**'Mr Len Murray:
'The Government
has not succeeded
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must replace the £6,000m that has been hacked out of the economy since they took office.

Targets should be set for the rate of price increases against a background of that economic plan. Greater profitability is needed in industry, as part of an expanding economy, but workers receiving their just proportion of the wealth produced. Policies for taxation and public expenditure must reflect principles of social justice as well as abstract conceptions of market forces.

Against that background there should be an end to the constant sniping at the trade union movement and a recogni-

tion of the need, as is now recognized in Europe, for workers to be fully consulted and involved in the processes of change in a world of rapidly advancing technology and transnational corporations. We must re-examine the sharpness of the division in society between employment and non-employment, the rigidities of retirement, the different life experience of many women, the pattern of working hours in the working week and all the other great social changes which we can see around us.

These are the great issues facing our country. They cannot be dismissed by a parrot-

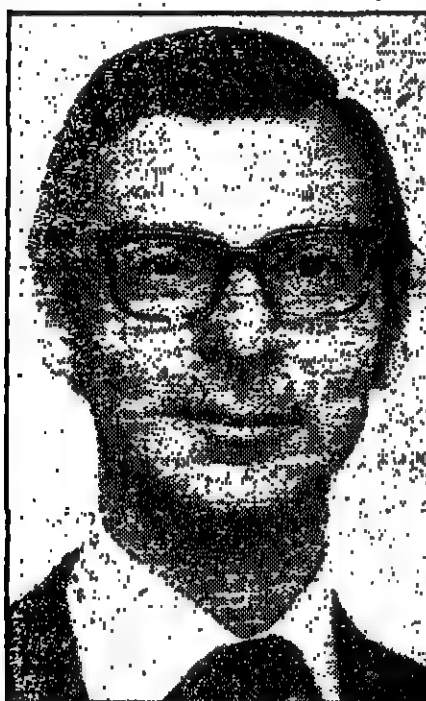
like recitation that there is no alternative. In our conference today trade unions will be seriously and maturely examining our future role. The *Times* will, I hope, long continue its traditions of providing a forum for the debate of the great issues of our time.

Sooner rather than later I hope the Government will learn the lessons so painfully learned in the Thirties and also open their minds to the real challenges of the Eighties. Many companies are now measuring their chances of survival, in months, even weeks. The time for a change is now.

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Bernard Levin

Censors and sensibility



Mr Timothy Sainsbury and the kind of *Soho* establishment he opposes.

Send for Macaulay, somebody: another periodical fit of morality has come upon the British people, or at any rate (the distinction is an important one) upon Mr Tim Sainsbury, MP, who, his earnest, round, bespectacled face suggesting a combination of the Swot of the Upper Fifth, has been hopping up and down with self-righteousness over his Private Member's Indecent Displays (Control) Bill, which was given an unopposed second reading last Friday, and looks likely to be enacted into law without difficulty.

Mr Sainsbury's Bill, be it said, is not as indecent as some recent proposals from the terrible army of banners. It seeks to make criminal the public display (or in shop windows or outside cinemas or strip-clubs) of indecent matter; Mr Sainsbury claims that the measure seeks to do little more than simplify and tidy up the existing law (but then, as the lady said to the judge, he would, wouldn't he?). He has, of course, fumbled the attempt to provide a legal definition of "indecent"; all censors are obliged to run away from that intractable problem, not because it is difficult to solve (though it is indeed, it is impossible) but because the attempt, and

not the deed, confounds them: as soon as they take the first step on the road to definition, they cannot escape going on to the end of the road, where lies the uncomfortable truth that indecency is always in the eye of the beholder. In other words that it is an entirely subjective phenomenon. Mr Sainsbury is, or at the very least feels he should be, offended by the display that "people cannot avoid seeing as they walk along the pavement to buy some cigarettes or do some shopping". (I say "avoid" because a good deal of the shopping in question inevitably takes place at the shops of the family firm, and if the Bill has the intended effect it must to some extent increase the amount of shopping done, ought he not to have declared an interest?) From this—no, discloses—he naturally concludes that what offends him offends everybody else, and therefore must be put down by the criminal law. But must it? Surely the test of the applicability of the criminal law in these areas is not offence, but harm. And Mr Sainsbury is hard put to it to maintain that the pictures of naked ladies and gentlemen engaged in various lewd exercises that adorn the windows of pornshops and the doorways of pornoramas do any harm to anybody. (The one about children having to go to school past these displays was used, of course, and Mr Sainsbury, the better to evade the

definition problem, has even been heard wheezing out that mould-spattered old cliché about recognizing an elephant being easy even if defining one is impossible, but none of this need be taken seriously.)

Now as a matter of fact I, too, am offended by some of the displays the Bill would seek to ban, though not for quite the same reasons as those that seem to trouble Mr Sainsbury. The sleaziness and seediness of the premises he has in mind, and the ugliness of the women in the photographs, offend both my aesthetic sense and my wish that our cities should be handsomely and dignified places, to say nothing of my liking for beautiful ladies. I would very much like to see such displays disappear. But I do not think that my wishes in this matter should be used as the basis for imprisoning those who do not share them. Mr Sainsbury is of a more confident mind. But, *unus universa* though he no doubt is, I really do not see how he should prevail in the matter should he do not see why mine should, but then, I am not proposing to add further crimes to the Statute Book, and send more people to prison (for up to two years, incidentally) for breaking them, and give more opportunities to snappers and informers and itchy-palmed policemen; the burden of proof must always lie on those who wish to alter the existing state

of affairs, not on those who wish to leave it alone.

All censors rest their case on the same unspoken assumption: that they know better what is good for other people than other people do. The classic refutation of this fallacy was made by Gerald Gardner in the *Lady Chatterley* case, analysing the parallel argument about statues which seek to ban that which has a tendency to deprave or corrupt.

Nobody suggests that the Director of Public Prosecutions becomes depraved or corrupted. Counsel read the book; they do not become depraved or corrupted. Witnesses read the book; they do not become depraved or corrupted. Nobody suggests the Judge or the Jury become depraved or corrupted. It is always somebody else; it is never ourselves.

Similarly, Mr Sainsbury rests his case on the equally untenable proposition that other people need to be shielded by the criminal law from being given offence. I am not at all sure that the criminal law in its defence of the equally untenable proposition that other people need to be shielded by the criminal law from being given offence even if they actually are, and though I have no doubt that, given the necessity, Mrs Whitehouse could or should have been prosecuted, I propose for the time being to remain of the opinion that there is no great public clamour for

such a measure, and that even if there were it does not follow that the clamour should be heeded.

As I find myself asking more and more these days: what has become of the old principle of *live and let live*? To be sure, Mr Sainsbury is entitled to a government which he also believes has done much for British industry.

All this has fed the national predilection for seeking scapegoats for our relative economic failure and attributing blame to any but our own sector of society.

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Why talking with Neddy is so helpful

The Prime Minister tomorrow chairs the monthly meeting of the National Economic Development Council (Neddy) for the second time in just over a year. During that year, despite all the difficulties of relationships, Neddy has provided a unique national forum for a series of discussions between the Government, management, and trade union representatives on the Government's economic policies and other central facets of the economic and industrial scene.

Rising unemployment has deepened the divide between government and trade unions on economic policy. The impact on an inheritance of non-competitiveness of a strong pound, high interest rates and, in certain areas, high energy costs, has left management ambivalent in its attitude to a government which it also believes has done much for British industry.

All this has fed the national predilection for seeking scapegoats for our relative economic failure and attributing blame to any but our own sector of society.

At the conference of the Confederation of British Industry last year a delegate asked how many of those present felt some responsibility for the state of the economy. The small scatter of raised hands exemplified our problem. A similar response could be expected from any representative trade union gathering, from the engineering institutions or, I fear, from any of us.

The barriers preventing change in these attitudes are firmly institutionalized: an education which conveys its economic basis from those who are educated; differences of status unrelated to function or purpose; an absence of consultative mechanisms in many industrial companies; management and trade union training which is rigidly segregated, so protecting dogma and shibboleth from critical examination; collective bargaining too often carried out in the spirit of bluff or brinkmanship, substituting for equal knowledge and analytical capability on both sides.

The complexity of the causes of our economic and industrial problems is such that change is needed in the part of all. Any institution that can help diminish barriers and create linkages has a vital contribution to make.

One monthly meeting of Neddy, viewed in isolation, may seem of little more than a few minutes' time, but it is a contribution to the national bargaining process.

Unrealistic expectations constitute the greatest danger to Neddy: criticism from those who are not party to the monthly debate is often in direct proportion to their distance from it. Neddy represents an idea—a consensus is a necessary condition of progress in this country, not to fudge policies but to provide mutual understanding of what the least disagreement can be better informed and, at best, change can be stimulated.

veness of discussion. But regarding monthly discussions constitute a cumulative learning process which has led to perceptible positive changes in tone, language and attitude and a gradual extension of the agenda.

The ability to include in discussion government's role in industry, unemployment, the role of pay as an economic variable, the use of North Sea oil revenue and, next week, the medium-term prospects for British industry is itself of crucial importance.

Blunt disagreements exist on these fundamental issues and are bluntly expressed, and it would be wrong to suggest that

any institution that can help diminish barriers and create linkages has a vital contribution to make...

there has been significant outward change in the approach of the parties: Neddy is the road to Damascus. If these discussions, while representing disagreement on some of the central economic themes, have also sought to enlarge areas where positive progress can be made.

A programme for using public purchasing as an aid to industrial efficiency, reduced attack on the intractable problem of specifications and standards, the acceptance of energy pricing problems exist for specific parts of industry, all have been stimulated or strengthened by Neddy's efforts.

It would be too much to say that Neddy represents an implicit bargaining process, because power lies elsewhere. But if part of the essence of bargaining is men making reasonable arguments to their point of view, it is a contributory factor to the national bargaining process.

Unrealistic expectations constitute the greatest danger to Neddy: criticism from those who are not party to the monthly debate is often in direct proportion to their distance from it. Neddy represents an idea—a consensus is a necessary condition of progress in this country, not to fudge policies but to provide mutual understanding of what the least disagreement can be better informed and, at best, change can be stimulated.

Geoffrey Chandler

Neddy's strong industrial orientation has now been maintained under two governments through its tripartite committees. These cover a wide spectrum of manufacturing and other sectors. Though perhaps less cohesive than in a period of greater government involvement with industry, they still act at sector level the function that Neddy performs nationally in bringing the three parties together and providing a practical approach to problems which should have been handed to market forces. The willingness of many distinguished managers, trade unionists, and independents to give their time voluntarily as chairmen or members of these committees is an indication of the potential value which they see in the process.

Of the committee's diverse activities, some of the most important are demonstrating best practice, improving market knowledge and creating linkages which should have not been brought about by competitive pressures: between users and makers of industrial and consumer products, so that manufacturers can better understand the reasons for the loss of business to overseas markets; between government agencies and industry; between industries whose technologies are changing and merging but which unlike our competitors, have remained too rigidly separate.

The time is ripe for a new international competition and restore to the words "Made in Britain" their former value. But it is individuals, companies which must make decisions and take action and it is at company and plant level, assisted by the stimulus the committees bring to awareness of problem and their potential solution which will be the most important validation of their work.

Without Neddy we would be left with a narrow, visible, the other only when fusillade are publicly discharged. Neddy provides a monthly reminder to Britain's economic protagonists that there are at least two sides to a problem and that ultimately government management and trade union work by consent, not by subditi.

It symbolizes that sense of reason, moderation and mutual understanding which is the essential condition of change.

Geoffrey Chandler

The author is Director-General of the National Economic Development Office.

LONDON DIARY

Is the Gang of 13 a wrong number?

If, in spite of the chorus of appeals for unity and brotherhood, the Labour Party loses its right wing to some new right-of-the-middle-of-the-left-hand-side-of-the-road political grouping, the reason will not be simply that the party has lost the hearts and minds of the defectors. It will probably be because they have lost their telephone numbers as well.

Attempts by *The Times* to contact the local constituency parties of the Gang of Thirteen (Mr Jenkins and Mrs Williams excepted, of course) in the past few days have met with little success. It appears that the Labour Party headquarters in Walworth Road, London, has a plethora of telephone numbers for local party offices, agents, and the chairmen and secretaries of committees.

I can report that most of them fail to reply, are wrong numbers, unobtainable or are spare lines.

Even the party's regional organizers seem to have lost track of their troops in the field. The one contact number for the secretary of the committee of a constituency in Newcastle upon Tyne was out of date. Asked how he would try to contact the local party, the regional organizer replied: "It doesn't look as if I can, does it?"

Obtaining the correct numbers from one of the MPs themselves proved just as fruitless. One Member's secretary passed on a number which had long been a spare line.

An official at Labour's Walworth Road headquarters—still without a convenient shorthand name, incidentally, unlike its former home in Smith Square—seemed well aware of the problem. "We are very much at the mercy of constituency parties, and it can be extremely frustrating at times."

"We ask them for telephone numbers to be updated when there are any changes. Some parties are efficient and some are not. Communication is always a difficulty when dealing with voluntary workers on a part-time basis."

You can say that again. But I suspect the message is getting through to Walworth Road. In this week's edition of the party newspaper *Labour Weekly* there is an advertisement for a "directory assistant to assist in maintaining records". The ad quotes the party's new telephone number which, I am glad to say, works.

Papal echo

Canterbury Cathedral is holding a "vigil for peace" on Thursday, February 26, when people of all denominations and none will be invited to visit the modern martyrs' chapel to pray and light a candle.

The date was not plucked at random from the calendar. It coincides with the Pope's visit to Hiroshima and Nagasaki in Japan, two towns whose significance needs no underlining by me. The Dean of Canterbury, the Very Rev Victor de Waal, hopes other cathedrals and churches will follow Canterbury's example.

Even less of a coincidence is the fact that Canterbury, and not some other cathedral, will

be echoing the Pope's visit to Japan. It is Canterbury that will welcome the Pope during his visit to England in 1982, so February 26 is the first gesture of the special relationship the cathedral authorities want to foster.

Spies in the megalithic Department of the Environment headquarters in Marsham Street, London, report that Michael Heseltine, the secretary of state, is deeply concerned at the huge amount of photocopying done in the building: reliable reports speak of 100,000 sheets a day speeding from the copiers. Heseltine recently ordered the Department's organization and methods division to move in and out the photocopying. Their first act was to identify every original document copied on a particular day—and make a photocopy of it.

Extra time

One or two of you appear to have missed my announcement last week of the most glittering prize ever offered in a London

Diary contest—a week for two in Greece. I have counted the number of entries received so far, and it falls fractionally short of the latest audited daily

circulation of this newspaper. An encomium of not more than two hundred words of prose or verse, composed entirely of English words derived from Greek, celebrating Greece's entry into the European Community, is required. Occasional articles and prepositions of lesser parentage are of course allowed. Besides the first prize of an expensive paid trip by courtesy of Olympic Holidays, and the second prize of L. R. Palmer's book *The Greek Language*, I am prepared to throw in a third prize of a bottle of brandy.

I may have underestimated the severity of this cerebral exercise, and I will therefore accept entries addressed to me here and marked "Greek contest" up to the end of next week, February 13. Results and winners, as promised, in this space on Tuesday, March 3.

On the house

An assiduous reader of this particular patch of print has been putting two and two together and coming up with what I regard as a brilliant idea.

He noticed two recent stories which at the time were entirely unconnected. The first was my report last month that Westminster City Council, short of funds to provide even the most basic amenities in some of its streets, had approved a successful scheme whereby private companies sponsor litter bins on the pavements of Soho and the surrounding area of theatreland. They get their names on the bins and the streets are noticeably cleaner.

The second was my report, just before Christmas, that the ubiquitous public spending cuts have forced the City of London Corporation to close a number of its public lavatories within the Square Mile.

Alert readers will have made the connexion already. Why, asks my correspondent in a letter to the chairman of Allied Breweries, does not the brewing industry take a leaf out of Westminster's book and sponsor what Americans like to call "comfort stations" which the public purse can no longer afford to maintain.

"The sponsorship of this service should perhaps be the preserve of those enterprises among them your own, whose product makes the need for a so distressingly imperative a service hours when your land lords and managers are not dispensing the raw material, as I were, and simultaneously providing disposal facilities *a situ*," said my reader's Allied's chairman.

I made an unproductive call to the chairman of Allied yesterday. Both he and his personal assistant were away. (Anyone planning a takeover of Allied Breweries, now is your chance.) But I reckon that any company which can afford to play its callers piano music on the telephone while they have on for people who are not there can afford to treat this serious suggestion with the specific gravity it deserves.

Alan Hamilton

Le Monde
LA STAMPA
THE TIMES
DIE WELT

Europa

VOL. VIII No. 5
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WEST GERMANY AND ITALY

Britain wants respect not popularity

The British Government's priorities for action in the European Community in the months ahead—which Lord Carrington says the Labour Party in its own interest ought to endorse as well—are discussed by the Foreign Secretary in this interview with David Spanier



Harry Kerr

Britain seems to be rather unpopular in the European Community. Why is this?

Our aim in the Community is not to be popular; it is to be respected. It is for others to judge if we are achieving this. I am not aware that Britain is unpopular, certainly not more than anyone else. We have worked hard to protect vital national interests, but we have also taken pains to emphasize Britain's wholehearted commitment to the Community, and our determination to play a full part in its development.

I am encouraged by the positive response in Europe to my speech in Hamburg on this theme last November. As the Prime Minister put it in a recent French radio interview: there is no such thing as a separate Community interest; the Community interest is compounded of national interests of the 10 member states.

Are you concerned on the other side about the British public's apparent hostility to the Community?

Yes. In a democratic society the Government must carry broad support for its policies. If we do not, something needs to be done. We are making considerable efforts; British ministers have been emphasizing in recent speeches the benefits we get from membership of the Community. It is not a propaganda campaign; rather an effort to explain the facts and reasons why we think our policies are right.

Also, there is a need to show that we have constructive ideas in the development of the Community in a way which brings maximum advantage to ordinary people in Britain and elsewhere. I hope that you are "apparently hostile". The 1975 referendum showed that although some detailed aspects of the Community bureaucracy may irritate people, the majority know where their real interests lie when it comes to major decisions affecting their future prosperity and security. What do you think about the Labour Party's policy of taking Britain out of the Community?

I am saddened by it. It seems to me unworthy of the

part which when in Government applied for membership, recommended a positive vote in the 1975 referendum, and then worked to consolidate our position as a fully established member of the Community. Many leading members of the party are clearly unhappy about the decision to turn its back on Europe, and indeed the outside world. They are also unhappy because it undermines our efforts to convince our European partners of the strength and sincerity of our commitment.

Labour's real interests lie in wholehearted support for our efforts to secure the important reforms which we need on restructuring the budget and in agricultural policy, for example, which will benefit all irrespective of political persuasion.

What would you like to see happen in the Community this year?

Some crucially important tasks lie ahead which will shape the whole future of the Community. Progress is essential during the year on restructuring and on agriculture; on enlargement negotiations; and on strengthening cooperation in foreign policy. The member states are agreed about the priority which these tasks must be given. There are also important items of outstanding business, such as conclusion of common fishery policy negotiations, which is an urgent task. Is there anything in your view that can be done to speed the decision-making process?

The Community has been looking at its decision-making procedures. The Three Wise Men's report recommended some sensible changes which were endorsed by the European Council and should secure modest improvements in the Community decision-making process. But many important Community decisions involve reconciling vital and sometimes conflicting national interests; and satisfactory compromises are achieved only by patience, flexibility and hard work, which require time. No magic procedural devices can conjure up instant solutions.

When you look at other international organizations you will see that Europe has, by comparison, developed very effective decision-making processes. When speed is important, for instance on the Italian earthquake, or Polish food aid, the Community can make decisions and take action remarkably quickly.

Are you in favour of reviving the idea of majority voting?

It is not a question of reviving. The principle of majority voting is built into the treaties. But for major issues affecting important national interests it is sensible that decisions should be taken by consensus. Do you foresee the Community developing towards a more federal type of organization?

I am not enthusiastic about the blueprint approach to Europe, with dialectic arguments about federalism and confederalism (whatever these terms mean). The ability to adapt and evolve is one of the Community's major assets; and I am confident that it will remain so. Changes must take place by evolution, in response to changing circumstances and in accordance with the wishes of all our citizens; they cannot be imposed by planners dreaming up concepts based on Utopian ideals of what they think Europe ought to look like.

What about the German Foreign Minister's latest suggestions of a European Union?

Are you satisfied with the way political cooperation is developing?

Broadly, yes. But there is scope for improvement. I have made some suggestions, as in my Hamburg speech. Now the foreign ministers have instructed officials to produce a report on the subject. Naturally, I welcome the emphasis in Helmut Schmidt's recent speech in Stuttgart on the need to develop a common European foreign policy as one means of promoting closer cooperation among the Ten. I would like to hear more about his ideas.

Speaking of foreign policy, does the so-called European initiative on the Middle East have any real significance?

In all my talks with Arab leaders, including recently in North Africa, it has been made clear to me that they thought the European efforts on the Middle East were extremely significant. All of the parties concerned in the Middle East—whether they approve of the European idea or not—clearly take them seriously.

You cannot expect rapid progress in a problem as complicated and long-standing as that of the Middle East, but the current situation there is perhaps more fluid now than it has been for some time, and that is why Mr Van Der Klauw's talks in the Middle East will be particularly significant. We have done some serious work on the problems involved and are determined to make a serious contribution at the right moment.

But can you realistically pursue a policy which is apparently in conflict with the United States?

There is no "conflict" between Europe and the United States over the Middle East. Our approaches are not necessarily identical, but they are both directed to the same end, which is to secure lasting peace and justice in that region. We consult the United States fully and take account of their views, and the United States is well aware of European views. We may not always agree, but we are always in close consultation, and we are both working towards the same end. The European action works at various levels. We can try to bring things down to get the most realistic approach. Europe has a role in influencing the United States too. Finally, is there any scope for including defence policy in the Community?

I doubt if there is any scope for formal Community decisions. All that belongs to NATO, which is where the main thrust of Western European defence policy should be concentrated. Of course, questions concerning the security of Europe are discussed in political cooperation and form part of the process of building a common European foreign policy. Defence and security policies can never be rigidly compartmentalized.

The Community: internal struggle, external challenge

If member states take separate action 'we do not stand a chance'

Rising oil prices and zero growth, Japanese competition and unemployment, state indebtedness and structural changes—these are the words that dominate the headlines. They summarize the world economic challenge to Europe where energy and raw materials are becoming scarce and more expensive, where the technology race—particularly with Japan—is becoming tougher, as is the labour cost race with the developing countries.

The scale of the economic and social changes initiated in the 1970s is becoming increasingly apparent. How are we reacting to these changes? Again and again we hear the call for import barriers to protect European products. But we are part of the world economy, which has emerged to form one large market. Europe cannot pretend it is an island and cut itself off from the rest of the world.

M. Raymond Barre, the French Prime Minister, called protectionism a "wrong solution, a step that cannot and should not be taken. It cannot be taken because closing our market—and let there be no illusions about this—would result in our losing our most important export markets. Then we would not have the resources we need to buy the energy and raw materials we cannot do without. Europe cannot be screened off for the simple reason that it depends on the outside world; it must import, and a country that must import, must export as well."

We cannot hide behind protective walls in Europe. We must accept the great challenge together and make the unavoidable adjustments together.

If the member states of the Community take separate or even conflicting action, we do not stand a chance.

The Community must give priority to two areas. First, we must reduce our dependence on imported energy. The change from imported energy to domestic sources is probably one of the greatest economic tasks we will face in the decades to come. It will also provide new opportunities for creating jobs, since it is essential that we develop, produce and install completely new types of building, new heating systems and energy-conserving engines and machines.

This will entail the investment of many millions of pounds. But that can be done only if energy prices are increased in Europe, which means accepting a somewhat lower standard of living in return for adequate and reliable energy supplies and jobs

in alternative energies. The adjustment will also mean industrial change. We cannot avoid reducing capacities in particularly energy-intensive sectors of European industry and leaving production in these sectors to countries with extensive energy potential such as Saudi Arabia, Mexico and Venezuela.

Second, we must modernize our production structure and adapt it to the new requirements of the world market if we are to remain competitive or become competitive again.

To this end, we must at least take full advantage of the opportunities the EEC offers. The Community could and should be one large market serving more than 250 million consumers. The potential for research and development and also for mass production and distribution in this market is enormous.

We are not exploiting the cost and sales advantages of this market. The European market is still too much organized on national lines

owing to differences in consumers' habits and, above all, to administrative and technical barriers of all kinds. We have more factories producing colour television tubes than we need because each country wants its own production facilities if it can maintain them.

We maintain steel and textile plants in places which are unsuitable and where production costs are therefore too high.

We allow ourselves the luxury of spending millions of pounds in subsidies to keep inefficient industrial plants alive and so make European industry as a whole less competitive than Japanese and, increasingly, American industry.

We obstruct mergers in industry with national monopolies legislation for fear that one or two companies in our domestic markets might assume a dominant position.

We hold fast to national telephone and telecommunication equipment and national railway rolling stock because we are afraid of the competi-

tion from other member states, instead of developing a few basic European types of equipment for all the postal and railway administrations.

Our economy needs the Community. It must be made possible for industry to specialize and to achieve a division of labour on a European scale. For this, technical, legal and administrative barriers to trade must be eliminated. Technical standards must be harmonized, and public contracts must be open to anyone in the Community.

Aids and subsidies must be examined critically with the aim of doing away with those designed solely to ensure the survival of industries and of using the resources thus released to encourage innovation and possibly as direct employment aids. Investments which are conducive to rationalization and technical progress must be helped and encouraged. Industry must become more competitive if there is to be full employment in Europe again.

The great process of adjustment will require willingness on the part of businessmen to take risks, mobility of labour, and acceptance by everyone that the scope for trade in our domestic economies is limited. It will require effort and sacrifice, evenly and fairly shared. This will be possible only if all sectors of society cooperate.

The great adjustment is more than a technical and economic task: it will raise major social, even political, problems. Industry, the trade unions and political parties, parliaments, governments and European institutions will have many an awkward and unpopular decision to take.

All the democratic forces must pull together in this process to make Europe economically strong and socially progressive—a Europe which is open to the world and willing to cooperate with the world.

Wilhelm Haferkamp
member of the Commission
of the European
Communities



Mexico is a country with extensive energy potential. Drilling for oil in the Tabasco area.

Viewpoint/Francois Duchêne

Concealing deep roots of the agricultural crisis

Table 1: Trends in Community farm incomes

| A the 1980s | |
|---|--------------|
| Increases in farmers' incomes per head as % of increases in incomes per head in manufacturing* (1980=100) | |
| Belgium | 89.2 (1988) |
| France | 103.5 (1988) |
| Germany | 106.3 (1988) |
| Italy | 123.6 (1988) |

B the 1970s

| Indices of real per capita net value added of agriculture by factor cost (average 1967-69=100)† | |
|---|-------|
| | 1973 |
| Belgium | 154.1 |
| Britain | 136.4 |
| Denmark | 128.9 |
| France | 168.0 |
| Germany | 123.5 |
| Ireland | 151.3 |
| Italy | 154.5 |
| Netherlands | 120.8 |
| EEC 9 | 141.6 |

* Source: UN and ILO Yearbooks of National Accounts and Labour Statistics.
† Source: Agre-Europe March 7, 1980.

Table 2: Trends in Community farm trade

| Agricultural products (except fats and oils), tobacco and beverages. | |
|--|-------------|
| Exports/imports % | |
| Country or region | Intra-EEC 9 |
| | 1958 |
| Belgium | 62 |
| Britain | 14 |
| Denmark | 838 |
| France | 184 |
| Germany | 13 |
| Ireland | 631 |
| Italy | 185 |
| Netherlands | 565 |
| EEC 9 | — |

Source: Eurostat, Monthly External Trade Bulletin, Special Number 1958-79.

changed and local output could not keep up.

Elsewhere, in the richer countries of the Community, the balance was weighted on the other side. Consumption of agricultural products grew proportionately at a slow pace than in Italy. This tendency of production to outstrip demand goes back to the immediate postwar years. The only difference is that there was a food shortage in Europe then, so that the buoyancy of output was a relief instead of the problem it has since become.

Today, consumption in the Community is almost static because of recession, full stomachs, and a stable and aging population. At the same time, production continues to grow at about 2 to 3 per cent a year, equivalent to a doubling

in output every 20 to 30 years.

The taproot of this disparity seems to be the massive postwar introduction of industrial methods and outlooks into what had been Europe's overwhelmingly peasant agriculture. The process began with mechanization but, from that base, biotechnology, the spread of modern methods of management and distribution and the slow increase in the average size of farms have all contributed to the steady growth of productivity.

High prices have added to the pressures, but they have not operated in a vacuum. Accordingly, the difficulty goes beyond stopping the CAP encouraging farmers, through high prices, to produce more. What is needed is to damp down

the underlying buoyancy of output. That means depressing real prices and natural resources, such as the acreage sown or the numbers of cattle and fruit-trees.

An official German working group has estimated that in the Federal Republic even a reduction of prices in real terms of 2 per cent a year till 1982 would still leave production outpacing consumption by 1.3 per cent a year, with surpluses continuing to pile up.

Depressing the trend of output on this scale (and therefore farm incomes) when the general economy is already depressed is a difficult and politically perilous operation. Also it is likely to take effect only slowly. The problem is to squeeze the top quarter of richer Community farmers who produce some three-quarters of output without depressing still further the low income of the long tail of peasants in the poorer regions.

This can be done, in theory and given time, among other ways by the taxes on high production (equivalent to price cuts for big producers) which the European Commission is proposing. Politically, however, farmers' large and small, tend to stick together, so that cuts in real prices will inevitably create political danger zones. Why else has President Giscard d'Estaing recently promised national subsidies of more than 4,000m francs (about \$1,000m) and in the process violated the CAP? He needs the farm vote in what may prove the tough presidential elections in the spring.

Such pressures favour a reversion to uncoordinated nationalism in farm policies. But this too is likely to rebound, especially on those countries which now benefit most from the CAP. The main reason is that overproduction could, in the next two decades, gradually choke the channels of agricultural trade across frontiers in the Community.

Originally, far and away the biggest farm import markets were Britain and Germany. In 1958, each of them imported seven times the value of farm produce that it exported. Today, the proportion, again for each of them, is only two-to-one (Table II). Twenty years hence, at this rate, there could be little net trade left inside the Community. True, Italy has gone the other way, but would like to reverse the trend, and in

Facts and figures

Budget problem threatens fulfilment of Reagan promises

"The proof of the pudding will be in the eating." Many Americans must be telling themselves this now that President Ronald Reagan is installed in the White House. In a recent interview with the *Wall Street Journal* he emphasized the need for fundamental change: "We have to put an end to the recent period of pessimism, stagnation, regulation and excessive taxation."

Now the time has come for ideas and electoral promises to be measured against harsh reality, the time for concrete action and more particularly its effect on the dollar and interest rates, the high levels of which are impinging on the economic policy of the four European countries.

The new President has no easy task on his hands. For all the optimism of business leaders who like the style of the new team and are banking on their success, the situation is serious. One of the most daring and brilliant young men in the new Reagan Administration, Mr. David Stockman, director of the Office of Management, has even spoken of an "economic Dunkirk" and did propose an emergency plan under which radical measures could have been introduced.

Other members, older and more experienced, such as Mr. Donald Regan, the former chairman of Merrill Lynch who has become Treasury Secretary, and Mr. Arthur Burns, do not share this view, because they are afraid of starting a panic.

Progressiveness and continuity seem to be the key words of their recommended strategy, which should make a contrast with Mr. Carter's feeble changes of direction. This is itself will be a distinct improvement; no miracles, but consistent and prudent action to deal with the problems.

But it is the problem of the budget which is going to pose the biggest threat to the new team and electoral promises of the new team. The Conference Board has emphasized that the deficit for 1981 is likely to be \$60,000m, and any compression of this figure will necessarily be more difficult if the proposed tax reductions have to be offset as well.

Already there is talk of putting off the tax measures until August. The Treasury will therefore continue to keep tight controls on the capital market and Mr. Volcker, the custodian of the dollar, will maintain high rates, thus pushing up the exchange rate.

| | quality of growth | | | maintenance of growth | | |
|---------|-------------------|--------------|----------------|-----------------------|---------------|-----------------------------------|
| | prices | unemployment | rate of growth | productive capacity | foreign trade | vulnerability to external factors |
| GERMANY | ●●●●● | ●●●●● | ●●●●● | ●●●●● | ●●●●● | ●●●●● |
| FRANCE | ●●●●● | ●●●●● | ●●●●● | ●●●●● | ●●●●● | ●●●●● |
| ITALY | ●●●●● | ●●●●● | ●●●●● | ●●●●● | ●●●●● | ●●●●● |
| BRITAIN | ●●●●● | ●●●●● | ●●●●● | ●●●●● | ●●●●● | ●●●●● |

United States: business activity resilient

Growth rate: business activity is still showing remarkable resilience in the face of rising interest rates. In December a further increase of industrial output of 1 per cent was recorded. In the same month, however, retail sales fell by 1.3 per cent, the main culprit being car sales.

Prices: the increase in wholesale prices—based on the past three months—then annualized—rose from 4.9 per cent in November to 8.3 per cent in December. Retail prices rose from 12.7 per cent to 13.1 per cent.

Unemployment: the unemployment rate, calculated as a proportion of the working population, fell from 7.6 per cent in October to 7.5 per cent in November, but the number of vacancies is also beginning to fall.

Foreign trade: the trade deficit, having shown a slight increase from \$1,660m in September to \$1,840m in October, improved to \$1,640m in November, thanks largely to a big fall in motor and oil imports.

Monetary and financial influence: the relaxation in United States rates, which has brought prime rates down from the record level of 21.5 per cent to 20 per cent, has been called in question by the firm action of the monetary authorities.

Between November and December the average inflation rate for the four European countries rose from 10.8 per cent to 11.6 per cent. The cause of this increase can be found in West Germany which recorded an increase from 3 per cent to 5.5 per cent, whereas there was no change in France (11 per cent), Britain (8 per cent) or Italy (21 per cent). These rates are based on the past three months. On the year-on-year reckoning they went up to 5.5 per cent for West Germany, 13.6 per cent for France, 15.1 per cent for Britain and 21.2 per cent for Italy.

The Government's objectives (except with prices and the trade balance) are actually receding as a result of the action it has taken in its relentless pursuit of them. For instance, recently published figures show that the target for the public spending borrowing requirement, which has already had to be increased substantially from the initial figure of £8,500m, is likely to be exceeded by a wide margin.

Another unfavourable development is reflected in the statistics on profits and incomes in 1980, which show that, contrary to the Government's strategy, the brunt of the crisis has been borne by companies rather than employees. (M. Raymond Barre has been successful on this front in France.) Under such conditions, it is becoming difficult to put the public finances back on an even keel (by next budget is to be announced in March) and to restore companies' profitability. According to a Bank of England study, there has been a sharp deterioration in British industry's competitiveness.

The trend has been masked by the trade surplus, achieved thanks to North Sea oil, but also to the desperate efforts of manufacturers to export, at any price, products for which they can find no outlets in the flagging domestic market. Hence the rise in unemployment, which is reaching dangerous levels, as our graph shows.

For Italy, as for Britain, the influence of the new direction taken by American policy under the Reagan Administration will be less significant than that of the options selected and action taken at home. The key problem here is an enormous trade deficit, far greater than can be accounted for by oil alone. It is the consequence of overheating of the economy in recent months and a sharp loss of competitiveness caused by soaring costs (except for firms relying on the "black economy" which escape taxes and social contributions). Even though the current depression brought a slight fall in the deficit in November (see graph), it was 10 times greater in 1980 than in 1979.

Emphasizing this, Signor Enrico Manca, Minister for Foreign Trade, has announced that a conference is to be held to determine the course of action. Also, although the foreign currency reserves are still substantial, as Signor Rinaldo Ossola has pointed out, the Government has plans to borrow abroad on a large scale for 1981-83. None of this will save Italy from having to resign itself sooner or later to embarking on the difficult course of compressing industrial costs, after the example set by the other European countries and now the United States with its new policy.

Maurice Bommensath, economist with Cegos, management consultants, Paris

Japan: industrial output falls

Growth rate: industrial output fell by 1.1 per cent in November, but is still up over the past three months and 2.3 per cent above the 1979 level.

Prices: with the yen's rise, wholesale prices, annualized on the basis of developments in October, November and

December, have fallen by 3 per cent. Unemployment: the unemployment rate, calculated as a proportion of the working population and seasonally adjusted, was 2.3 per cent in November. (The Japanese rate is underestimated in comparison with the American and European rates.)

Consequently, the four European countries cannot expect the next few months to bring a fair wind from across the Atlantic to ease their own tasks. This is particularly true of West Germany, which is still in a particularly paradoxical and uncomfortable situation, with interest rates which are too low to attract capital (the immediate returns offered by the dollar outweighing economic considerations) and nevertheless high in relation to the inflation rate.

The West German monetary authorities therefore have no option but to accept the status quo with the discomfort of a weak Deutsche mark and the attendant risk of a surge in prices, about which they are now more worried than about industrial output, the

deterioration in which seems to have been halted, as may be seen from our graph. According to Herr Helmut Geiger, president of the savings banks federation, "the present situation does not justify use of the term recession, given the continuing high level of investment."

Thus there is the prospect of adaptation which should enable West Germany to resume its position alongside Japan as a "strong" economy. However, this year rationalization will bring an increase in the unemployment rate which, according to the official forecasts, is destined to rise well above a million and only greater wage restraint will help to reduce it.

The potential influence of American policy options is not the same in the case of

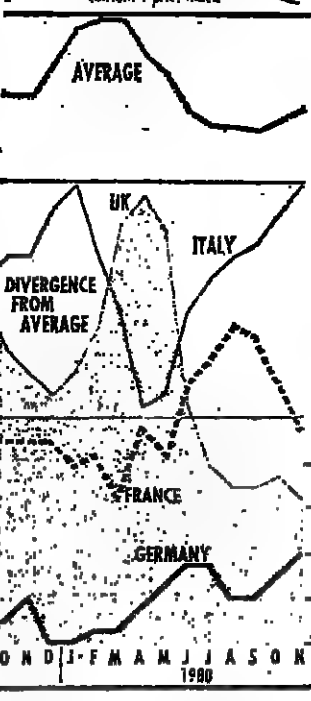
France, whose financial situation is comparatively healthy. Interest rates are high enough, when the "Barre" effect is taken into account as well, to attract capital (pre-electoral fluctuations apart) and the high American rates are less of a problem.

The economic results, on the other hand, have been mediocre if not frankly bad. The French authorities are fond of blaming outside factors when announcing successive sets of figures, but the true cause is to be found in France itself: high production costs, made all the worse by the strength of the franc, which are accelerating the loss of competitiveness. This explains the poor export performance, the flood of imports, the decline in the business activity, the increase in un-

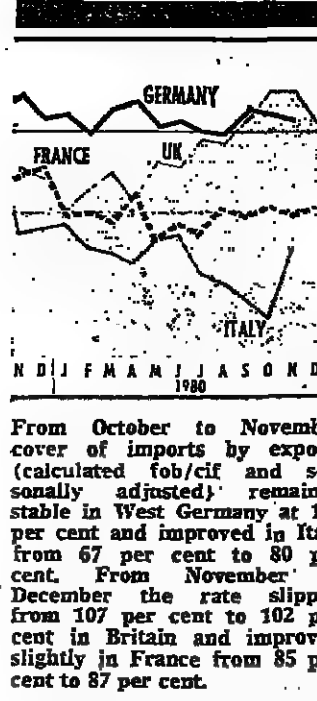
employment, which is probably not fully reflected in the official statistics. In the speeches he has been making as the French presidential elections approach M. Raymond Barre has been taking stock of his own performance—not without some bitterness—and admits that he has not taken sufficiently tough action to defeat inflationary winds, for fear of increasing unemployment. Unfortunately, the result of his failure can now be seen in even longer delay queues.

Nevertheless, M. François Ceyrac, president of the employers' organization

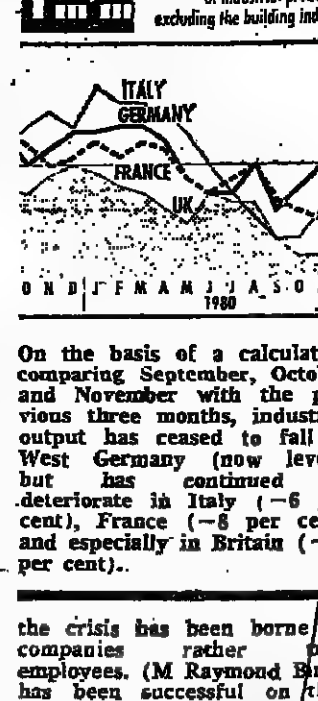
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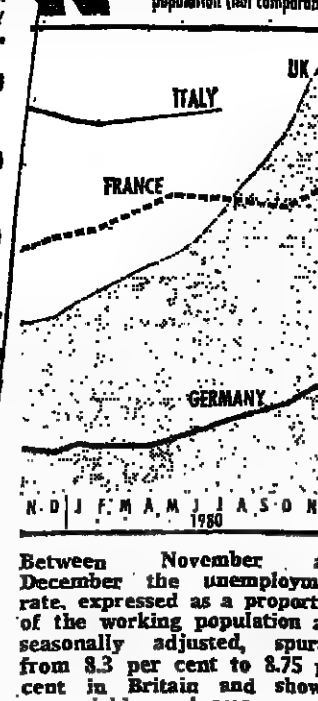
FOREIGN TRADE



INDUSTRIAL GROWTH



UNEMPLOYMENT



Strengthening investments in industrialized nations

'Gravitational effect' binds economies of rich countries to one another

The Third World countries in the ascendancy and the Western industrialized nations in decline—such is the prevailing view of the world, the generally accepted belief. But is it realistic or merely wishful thinking? The persistence of this question is revealed by an examination of the pattern of international investment.

Western investment in the Third World does admittedly seem to have grown in absolute terms, but much less in relative terms, in comparison with that which remains squarely in the established industrialized countries. In particular, the growing volume of investment between Western countries eventually sets up a "gravitational effect" which is specific to their regions and accentuates their economic superiority.

Statistical data can be optical illusions and they are to be treated with circumspection. Thus there are those who rely on rather misleading figures, gloat over the "decline" of the Western nations economically, which is supposed to be where their main strength lies.

For instance, the proportion of the world's gross product accounted for by America's gnp, which was 50 per cent some 20 years ago, fell to about 30 per cent by 1980 and will be in the region of 20 per cent at the turn of the century, while the share of the European Economic Community, which was roughly 20 per cent at the beginning of the 1970s, is expected to fall to about 15 per cent by the year 2000.

However, if these figures point to a decline, other projections (also based on assumptions drawn from the seminal report by the Intergovernmental Group of the Organization for Economic Cooperation and Development) indicate that the national income per head in the United States by the turn of the century will be \$9,900 compared with \$4,780 in 1970, and in Europe upwards of \$8,000 against \$2,450 in 1970. Compare these levels with the overall average for the Third World, which is expected to be no more than \$900 per head.

the big industrialized countries are committing hari-kiri by creating competition for themselves, on the pretext of having at least a foothold in the newly-rich countries?

Although certain information drawn from particular examples may sometimes lead one to believe that this is generally true, and for all the wishes and intentions expressed by those who want to see the Third World catch up with the West, all the indications are that the economies of the industrialized countries spontaneously drew up their battle lines early in the 1970s, purely for their own defence. Since 1973 especially, the industrialized countries' reciprocal investment has been identified at the expense of investment elsewhere. Directly or indirectly, these countries have the world's greatest financial resources at their disposal.

The mass represented by these resources obeys its own laws, exerting growing influence on the course taken by the world economy and the development of international balances of power. Whether this has been intentional or not, the effect is the same.

During the period of rapid economic development since the Second World War, there have been three phases in the evolving pattern of international investment, each characterized by distinct conditions.

1. Until 1960 firms in the industrialized countries showed a marked preference for investing in the developing countries and the former white dominions of the British Empire (Canada, South Africa, Australia). Their aim was to gain control of extraction and production of mineral and agricultural raw materials. Only 22 per cent of all American foreign-based industrial assets in 1960 were in Europe and Japan, compared with almost 40 per cent in Canada, Australia, New Zealand and South Africa taken together, and also nearly 40 per cent in the developing countries. The distribution was very much the same in the case of Britain, and similar in that of West Germany, although already with rather more emphasis on Europe.

2. From 1960 to the beginning of the "crisis" in the 1970s, there was a change of direction towards Europe and manufacturing industry. Where, before 1960, Europe had accounted for less than a fifth of American firms' annual foreign investment, it attracted about a third from the begin-

ning of the 1960s and, in manufacturing industry, the proportion rose to a half from 1966 and 58 per cent from 1970.

West Germany and Britain also concentrated their assets within the EEC. Having represented little more than a third of American and half of British assets before 1960, manufacturing industry accounted for more than 40 per cent of the United States foreign investment, 46 per cent of Britain's and 73 per cent of West Germany's by 1973.

Since 1973, the United States has re-emerged as a host country for investment, and manufacturing industry in Europe has more or less maintained its ability to attract investors, but the "redeployment" towards the developing countries has been severely limited. The twofold monetary and energy crisis, the dollar's decline and the increased political insecurity in the Third World have caused investment to be channelled back towards the United States.

Another development has been an increase in the geographical spread of countries investing in the United States. Twenty years ago three groups of countries owned almost all foreign assets (96 per cent) in the United States: Britain (32.5 per cent), continental Europe (36.5 per cent) and Canada (27 per cent). By the end of 1978 Europe's share had risen to 50 per cent, with firms from The Netherlands (24 per cent) and West Germany (8 per cent) giving the lead, but also with contributions from Switzerland, France, Belgium, Italy and Scandinavia whose investments in the past had been on a negligible scale.

Japan was another significant contributor with 7 per cent, while Britain's share had fallen to 18 per cent. Contrary to what might have been expected to follow upon the efforts of the Third World's industrialized countries have simultaneously concentrated their investments and redistributed their assets among themselves.

What is more, a new phenomenon has emerged. The tendency of the industrialized countries' currents of investment to polarize has been heightened by the gravitational effect of the richest countries' international investment, which is becoming more pronounced. In an austere but interesting study published by the Centre d'Etudes prospectives et d'Informations Internationales,

Domique Laubier and Alain Richemond, when examining the "interpretation of capital and worldwide industrial competition" have built up a body of data which they have used to identify a number of characteristic features of the way in which this new phenomenon works.

Taking the example of bilateral relations between the United States and West Germany, they show that in 1976 West Germany invested some \$600m in the United States and the United States invested \$480m in West Germany. They then go on to examine "what it is that governs the movement of reciprocal investment between these two countries."

In order of account for the occurrence of a gravitational effect, that is a mutual attraction between two bodies represented by the economic weight of the countries concerned, it is necessary to show that the differences in relative costs are becoming smaller and smaller, and are therefore of less and less importance in the mechanisms of international investment, while at the same time the attraction of buoyant markets which often enjoy considerable protection, is making it more and more necessary to set up production facilities abroad". M. Richemond writes.

Worldwide competition tends to concentrate on a limited number of advanced markets, access to which is not always easy for exporters. Investment abroad follows naturally upon an increase in exports, so that there would seem to be a direct relationship between an increase in international investment and an increase in reciprocal investment.

The purpose of investment between rich countries is to limit companies' risks across the board and this is a factor making for its accelerated development. Setting up production facilities abroad has a stabilizing effect, securing an average level of profits whatever the differences in economic conditions between countries while at the same time enabling the companies concerned to avoid losing ground in strategic markets.

Even when local conditions deteriorate in a given country, external factors still make it worth while maintaining a presence there. For instance, an American firm that has set up "profit centres" in Europe which are independent of the parent company not only earns operating profits which can iron out economic and monetary fluctuations on either side of the Atlantic, but also has appreciating capital assets. It is therefore in a position to

absorb a long-term deterioration in local relative costs, since any erosion of its trading profits is offset by the rising value of its assets.

Will this last? For instance, would not the combination of a sharp rise in the dollar's exchange rate and a spectacular economic slump in Europe bring about a rapid change in these conditions? How long will it take the newly industrialized countries to break into the privileged inner circle?

The first step for them is undoubtedly to exploit their domestic or regional markets more fully, even if this means restraining their aspirations for industrial exports to some extent which would simultaneously serve the interests of their peoples and suit the Western countries. In Western industry about 20 per cent of gross fixed capital formation is

under foreign control and roughly 25 per cent of domestic industrial demand is imported. The extent of penetration is still greater in highly industrialized sectors such as production of electrical and electronic equipment, chemical engineering and the motor industry.

Thus a whole swathe of the world economy, which enjoys virtual autonomy since it operates in a closed circuit and obeys its own laws, is making for greater interaction and interdependence between the industrialized countries. There is a correlation between the compass of this circuit and the economic growth of the countries within it. So the privileged inner circle of wealth is strengthened, giving an international dimension to the old saying that "money goes to money".

Jacqueline Grapin



How the European Community is moving to meet
the dangers of deepening recession

Industrial planning still a national preserve

Europe does not have an industrial policy—not, that is, in the sense of the term "policy" as applied to agriculture. It has neither specific machinery nor funds earmarked for financing projects on a Community-wide scale. Planning remains the exclusive preserve of manufacturers or national authorities.

Ideas of launching Community programmes—such as the construction of a European aeroplane as proposed by the Commission in the early 1970s—are in abeyance. Why then should recent events have made the Community appear to be a decision-making centre and why should Viscount Davignon, the Commissioner responsible for industrial affairs, be considered to have one of the most important portfolios?

The steel crisis has played an important part in the creation of this impression. The steel industry falls within the remit of the European Coal and Steel Community (ECSC), which was set up in 1951. With the enthusiasm aroused by the beginnings of European integration and Franco-German reconciliation, the climate was

favourable to the establishment of an ECSC High Authority (whose responsibilities have since been taken over by the Commission) vested with "supranational powers". These powers were exercised to the full last October, when Brussels imposed production quotas on companies. All the member states, except West Germany, had decided to call in the Community authorities, so powerless had they felt to cope with the steel crisis. Thus the Commission was entrusted with a watchdog role, in that it was given the task of monitoring output figures.

With the other industries which have come in for attention at Community level, it has again been a case of turning to the ECSC in an effort to overcome difficulties which individual countries are unable to solve. For instance, the Commission was given the task of negotiating voluntary limitation agreements with the textile-exporting countries. It approved the agreement among producers of synthetic fibres, although it clearly contravened the Community rules on competition (the legislation on restrictive practices). Perhaps the next job it is given will be to

curb Japanese car sales in the Community.

The absence of a European industrial policy worthy of the name is clearly illustrated by the case of shipbuilding. Structural reorganization in this industry has taken place without any arrangements for coordination between countries, apart from the Commission having given the specific task of drawing up half-yearly reports on the state of shipbuilding, and provision for contributions from the Community budget towards the costs of retraining programme figures.

The Commission is willing to accept this role as watchdog (or as alibi in some cases), but it does not want to limit its activities to the negative aspects. Aware that Brussels is in no position to impose policy on industrialists, Viscount Davignon believes that the Community can play a more dynamic role in tripartite co-operation involving national governments, industry and the Commission.

According to him, the Commission's contribution is essential to any scheme for the modernization of a branch of industry. "I am convinced that a rationalization programme

cannot be planned at national level because of the difficulty at that level of judging the degree of competitiveness to be attained", he said.

Viscount Davignon has noticed a marked increase recently in interest in the possibilities for this type of co-operation, and the "communalization" of certain crisis-ridden sectors has had the effect of increasing the Commission's influence. "If this trend is maintained", he said, "the environment necessary for real industrial co-operation in Europe could be created."

Creating the environment is all-important to Viscount Davignon, who clearly intends to play a real role—discreet perhaps and sometimes in the wings—in the development of European industry. "The problems are too complex", he said, "for Brussels to be able to decree what should be done." He is an optimist and is hopeful that the Commission will gain some ground. Gone was the last throw of the dice, he said, could be contemplated. Now it has to be pursued.

Marcel Scotto

Steel succeeding on last throw of die

On October 30 last year, after lengthy equivocation arising largely out of West Germany's reluctance, the Council of Ministers gave the Commission authority to declare a "state of manifest crisis", and accordingly to use its powers under the European Coal and Steel Community (ECSC) treaty to apply quota restrictions to steel production.

The scheme, which had the merit of simplicity, was to impose discipline on producers who were no longer prepared to accept it voluntarily and thereby to re-establish a better balance between supply and demand, without which the fall in prices could not be halted.

In the nine capitals, but especially in Bonn, the reaction was one of relief, but not without a certain amount of anxiety. There was certainly relief that the Community had at last taken a quick decision when faced with the serious further decline in the steel industry and the disagreement among its members. It was universally acknowledged that action was needed to end the chaos and save the ECSC from disruption.

But there was also anxiety because this first recourse to article 58 of the ECSC treaty was regarded as the last throw of the die. In the past liberalism and caution had prevailed and the governments of the Nine had never before resorted to these powers. In West Germany the government, employers and unions looked with equal antipathy and misgivings on this abandonment, however temporary, of the laws of market forces, this concession to dirigisme, to the bureaucratic whim of the Commission.

The other governments were generally more favourable to the project, but they were well aware that if it failed, or even if it only half succeeded, the result would be catastrophic not only for the steel industry but also for the Community's image and its capacity for effective intervention to stem a crisis in any sector of industry.

The result has not been a failure, far from it. Three months after the decision was taken, it is possible to make an initial assessment. The view in Brussels is that the results have been excellent. "We have managed to arrest the dramatic fall in prices, which have hardened despite the continuing

sluggishness of the market. Orders booked in January were at higher prices than in October. There has been no speculation against our system", observes Viscount Etienne Davignon, the member of the Commission responsible for industrial policy.

The system was set up directly last November. Promoted to its leading role under the terms of article 58, the Commission established a frank, and on the whole trustful, relations with the industry. Some producers, particularly in West Germany, had initially considered that the quotas allocated to them were unfair. "We received 150 requests for revision of quotas. All the applications were given careful consideration and, although some companies were not fully satisfied with the outcome of our examinations, there have not been any serious disputes. The Court of Justice has most certainly not been submerged with cases", is the rather satisfied comment from Brussels.

So much for the allocation of quotas. The next stage—putting the scheme into practice—has been managed without great difficulties. Inspections at steelworks (with assistance from production engineers "on loan" from the trade) have passed off smoothly. Computer-aided collation of data has worked perfectly, to widespread surprise. In short, the Commission has displayed more professionalism than had been expected.

In West Germany, where the Government and the industry have forgotten their initial misgivings and played the game absolutely straight, people agree that order has been restored after last autumn's movie-shooting chaos. They admit that the improvement in the situation is not attributable to a more favourable economic climate, but to the quota system based on article 58 and, one thing leading to another, to the end of bearish speculation.

Does this mean that the West Germans have been won over to article 58 and compulsory quotas? Absolutely not, but officials and the trade have been prepared to make the best of a bad job, all the more so in that there have been no major snags. Although they cannot admit to having been wrong, they point out: "Given the violence of the storm that hit us in the autumn, something had to be done. In our opinion

the solution chosen, article 58, was probably the least judicious, but the most important thing was obviously not to sit on our hands."

There has certainly been no change in doctrine. The criticisms made in October by Herr Lambsdorff, Minister for Economic Affairs, against the declaration of a state of manifest crisis are still regarded as valid, but the motive in reiterating them is not to express any hostile intent, but to ensure that they remain on record for a future date.

Two points are emphasized. First, the compulsory quotas system causes unnecessary harm to the most efficient steel-makers, obliging them to produce less than they would wish even though they have markets—inside or outside the EEC—where they could sell more than their allocated quotas. These companies are suffering a loss of trade in the name of Community solidarity and it would be unhealthy for such a situation to continue for long.

Second, compulsory output quotas eliminate or at least mitigate the effects of competition within the EEC and this gives protection to the weakest groups, which are therefore encouraged to postpone their structural reorganization programmes.

The West Germans are insistent on the need for rationalization of production facilities the length and breadth of the EEC. They have been practicing what they preach and have no intention of changing course. Reisch is on the point of announcing a modernization programme which will involve at least 5,000 redundancies. They also think that it is time that their partners—meaning Italy, Belgium, France and the United Kingdom—stopped subsidizing production plants which can never be made competitive again. This is one of their familiar themes on the subject of aid policy.

Brussels is happy to interpret the moderate tone of West German comments as grudging acceptance. "It is clear that the Germans do not like the idea of compulsory quotas. It is very painful for them to agree to this course. But from here it is very clear that the German steelmakers, having seen how things have worked out for them in practice, are no longer hostile to article 58. They are not campaigning against this

present experience", Viscount Davignon observes.

On the whole, then, the emergency measures introduced last autumn have had a good reception, even in West Germany. But this holds only in so far as it is understood that they will be temporary and will end on June 30 1981 according to schedule.

On this point the West Germans are categorical and unanimous, drawing attention to the formal commitments given by the Commission. Here again, they refer to the most efficient producers (including the majority of West German producers, naturally), who would not tolerate the prospect of having their own security put at risk because they had to carry on propping up lame ducks.

Moreover, the anarchy unleashed by the abrupt fall in orders during the summer of 1980 has now been eliminated and there is no longer any reason to consider the steel industry to be in a state of manifest crisis.

In Düsseldorf it is emphasized that, although the state of the industry is not very encouraging, it is certainly not catastrophic. According to the forecasts, steel consumption in the EEC will fall by 6 per cent in 1981 compared with last year and by only 2 per cent to 3 per cent in West Germany.

"This has been a passing difficulty", it is claimed, "and now that they have had a breathing space, the steel-makers in the Community should be able to make their own arrangements to deal with such eventualities". And no one, including the West Germans, denies that the steel industry can get through these lean times without certain rules, some form of discipline regulating production. The West Germans want such "cartel arrangements" to revert from being public to private, as they were before last summer.

The Commission shares this point of view. "The compulsory quota system is not a formula which was made to last: responsibility for market organisation is too heavily concentrated on the Commission. We are very actively engaged in formulating a new voluntary emergency plan. This work will have to be completed before the end of April if we are to avoid a renewal of speculation", Viscount Davignon observes.

Philippe Lemaitre

Pandora's box closed to car makers

In 1985, the EEC will be a net importer of cars to the extent of about 600,000 cars of all kinds. However, when recently Viscount Etienne Davignon, the EEC's able Commissioner for Industry and Energy, was asked to offer three concrete solutions for the European car industry to be put into effect immediately, he replied: "I am no fairy godmother, granting your protégé's three wishes."

Already in 1974 the European Commission had published a document which stated that, after the first oil crisis, the car industry would be the worst hit.

The news was received—at least by the assault sociologists specializing in Marx's (and Antonio's) theories on alienation—with open satisfaction. At last, exclaimed the prophets, who were making quite a good living denouncing the evils of the capitalistic industrial society based on car production, the moment had apparently come to set up the "new development model".

No more pollution-spreading private cars, therefore, but collective trains and buses—perhaps even perfumed ones, into the bargain. But the new development model for the car industry, and later the steel industry and many others, arrived together with hundreds of thousands of unemployed workers, low investment, a freeze on the launch of new types of cars and higher transport costs. Nor were the buses of the alternative society built in compensation. The failure of "diversification", carried out under pressure from certain industrial and intellectual quarters in a number of car firms, was symbolic.

The Japanese, on the other hand, free from sociological complexes, modernized their plant, attacked foreign markets and increased their exports tenfold. But they had not read the essays of Galbraith, and had ignored the funeral forecasts for the future of the car.

Six years went by: another oil crisis, a further Japanese penetration of car markets, now also by "joint ventures" with British Leyland and Alfa Romeo.

"We don't want to take over from the industrialists", Viscount Davignon says, adding: "I have no desire at all to create a finance fund for the car industry. And has it right, because there is no money. Viscount Davignon is the most able man in Brussels, but there is a limit to what even he can do."

The EEC has an agricultural policy (with about 70 per cent of its 25,000,000 lire budget) and is a customs union. It was created with idealistic aspirations which in hard fact boiled down to support for the farmers—especially the French—and for German industry with benefits all round. For the rest, the EEC has remained an empty Pandora's box. All the wishes in the world can be put into it, but out of it you can only get studies and reports, recommendations, forecasts, and—if you are lucky—perhaps a loan.

Europe's industrialists, especially in the car industry, are only now realizing that the car policy is still only a suggestion: apart from anything else, there is not the money for it. Loans are available for steel, but only indirectly for the car industry, and—as Viscount Davignon says—only up to 5 per cent of all the investments carried out by European firms, taking into account subsidies from the Iron and Steel Community, the Regional and Social Funds, and the European Investment Bank.

The car industry has few friends in Brussels. There is Herr Wilhelm Haferkamp, the Commissioner for External Relations, who has the backing of a few members of the European Commission, and who, for example, is loud in support of a "global commercial relationship" between Europe and Japan. In other words, open doors for Japanese cars to enter all the EEC countries, in return for commercial con-

cessions by the Japanese on other European products. Except that one can be quite sure that the cars made in Japan would arrive, even in France and Italy (where Japanese car imports are at present restricted to a few thousand a year) whereas it is by no means certain that European goods would arrive, in the same quantities, for sale in Japan.

The EEC—according to Viscount Davignon—is trying to find the most favourable climate for the car industry. It advises doubling expenditure on research, and promises to smile favourably at joint co-operation agreements (even with firms outside Europe). However, stringent checks on national aid to European car firms are threatened, with the added threat of sanctions, whereas everyone knows that, simply by manipulating the rate of exchange of the yen, Japan can reduce the selling price of its cars in Europe by 25 per cent.

The communist member of the European Parliament, Signor Benicelli, who is reporter on the car crisis to the European Parliament, has even aired the possibility of limiting imports of Japanese cars into Europe, if some satisfactory form of self-restraint is not arrived at.

To understand why it is impossible for the EEC to give any concrete help to the European car industry (despite the recent pilgrimages of the leaders of the manufacturers' association to the Berlaymont Building) it is necessary to return to the imbalances in the Community's budget. If European agriculture, which is not in the throes of any particular crisis, needs modernization, or its structure strengthening, there is the guidance section of the European Agricultural Guidance and Guarantee Fund, which promptly pays out a few million million lire every year, simply for presentation of the demands for payment.

If the car industry needs—as unquestionably it does—new dozen million million lire

for modernization (America will be investing \$15,500m every year up to 1985) it can ask its shareholders for the money as risk capital, or ask the banks, or issue debentures—all operations in which the EEC can make no special contribution.

There are people who always expect help from outside, or from the Community—both politically, and at industrial level.

This is the case with those producers who ask Brussels for solutions, which Brussels cannot provide, to problems that are often of their own making. Fortunately, most European car manufacturers are not so ingenuous: many Italian, French and German firms, individually or jointly, have investment plans and new car projects for the near future. Support from the EEC does have a place in their planning, but more as a social and political framework within which to work, than as a solution in itself.

European industrial leaders and their labour forces are in no way inferior to their American or Japanese counterparts, but they operate in a different social context. For example, in Japan, trade union problems, social security costs, hours lost through strikes, and the burden of a welfare state influence the level of technology, production and large-scale investment far less than they do in Europe.

The car crisis is the crisis of post-industrial society. Will robots as Karel Capek perhaps come to Europe's help, to improve the situation? (In Japan, more than half the robots in operation in the whole world are employed in the car industry.) Perhaps, but the forecast up to 1985 is not encouraging. Beyond 1985, the old prophets of the alternative society cannot see the same prophets who now drive around in Toyotas. The only "model" they have changed is their car.

Renato Proni

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Pietro Marzotto

Vital to protect textiles

Within the framework of Gatt the Multifibre Agreement (MFA) regulates trade in the textiles and clothing sector between the industrialized and the developing countries. The agreement was last renewed in 1977 and is to expire at the end of this year. In the next few months, therefore, negotiations will take place for the renewal of the MFA.

The provisions of that agreement have already had, and will continue to have, an important bearing on the way in which the EEC countries, and especially in Italy which is a large producer and exporter of textiles and clothing.

The total number of people employed in the EEC in the production of textiles and clothing was estimated at the end of 1979 as about four million, and this fell in the second half of the 1970s by about 150,000 people every year. In Italy, at the end of 1979, the number of people employed in the industry (including those employed in small businesses, with less than 20 employees) was estimated as 1,200,000, that is 30 per cent of the number of people similarly employed in the entire Community.

In recent years that rate of import penetration—that is the percentage of total EEC consumption which imports from outside the EEC represent—shows a trend that is worrying for the Community. From 1977 to 1979 the Community's imports rose from 10,200,000 lire

to 13,700,000 lire, while exports increased from 8,700,000 lire to 9,900,000 lire. The deficit in the balance of trade of the Community as a whole in textiles and clothing therefore increased from 1,500,000 lire in 1977 to 3,800,000 lire in 1979. It is estimated that in 1980 the deficit will be close on 7,000,000 lire, and that imports from countries outside the Community will have risen to about 40 per cent of consumption.

It seems obvious that, in a period in which various factors (especially the increase in the cost of energy) will cause a slowing in the rate of increase of the gross national products of the industrialized countries, with a consequent increase in the social problems related to unemployment, the EEC authorities will have to approach the renewal of the MFA with clear ideas, and a great deal of firmness and determination.

Italy and the Italian textile manufacturers have always maintained an attitude in favour of absolute freedom in international trade, and in my view this philosophy will continue. However, supporting free trade cannot mean a further willingness to lose market shares and, in the extreme, to suffer losses of sales to countries whose competition is based on low wage levels. This would have grave consequences for Italy in terms of unemployment and its effects on society.

For Italy, even more than

for the other members of the Community, the textile and clothing sector is a priority area of prime economic and social interest. Its protection against an excessive increase in the EEC is indispensable, not least to protect what is the most important market for Italian exports of textiles and clothing, seeing that the EEC today absorbs about two thirds of Italian exports in this sector.

For there to be balanced growth in the textile sector in Italy Italian industry needs to continue its international business, which is responsible for exports of about 30 per cent of Italian production, contributing a surplus of more than 4,500,000 lire to the Italian trade balance. Nor should it be forgotten that exports of textiles and clothing have a high value added content, and that the energy consumption per employee in the textiles and clothing industry is about half that of the average per employee in Italian manufacturing industry as a whole.

When renewing the MFA, account must be taken of the changed conditions, compared with the situation when the agreement was signed in 1973: new relationships must be established with the other two main industrialized partners (the United States and Japan), with better regulation of trade between the three blocks, and not only with the developing countries.

In short, the Community must stabilize the degree of penetration of its own markets by imports from outside, and put pressure on the United States and Japan (countries in which the level of technology is much lower) to contribute, to a greater extent than in the past, and through their own imports, to the growth of the developing countries. With regard to the United States in particular, it is hoped that there will be a reduction in American customs duties—which are more sharply protective and much higher than those of the Community—accompanied by the elimination of such artificial advantages as the specially favourable oil price.

The Community, for its part, must be able to fix an overall maximum for the imports of each of the sensitive products coming from countries with low wage levels. Annual variations in these imports must be correlated to the growth of consumption, to avoid further increases in the degree of import penetration, which would be dangerous for the equilibrium of the textiles and clothing sector in Europe, and in Italy in particular. The Italian textiles and clothing industry is confident that the Community will be able to bring a new sense of realism and firmness to the negotiations that will lead to the renewal of the MFA.

Germany and the Free Democrats

Election has not changed policy on Europe

The result of the German parliamentary elections on October 5, 1980, has not changed Bonn's policy on Europe. Those who feared or hoped that the greater strength of the Free Democrats in their coalition with the Social Democrats might result in a change of emphasis in the federal Government's European policy, even a loosening of the close ties with France, will soon find how wrong they were. For FDP leader Herr Hans-Dietrich Genscher and Herr Helmut Schmidt (SPD), the federal Chancellor, see eye to eye on Europe.

This was evident from the government statement Chancellor Schmidt made on November 24 with his coalition partner's agreement, which included two fundamental assertions: the maintenance and development of the European Community continues to be one of the priorities of West German policy; the federal Government fully endorses President Giscard d'Estaing's belief in the continuation of Franco-German cooperation.

Quoting the French President, Herr Schmidt agreed that this cooperation represented an irreplaceable contribution to Europe's progress and stability. The Chancellor also said that the goal of a European Union must not be forgotten, a point amplified by Herr Genscher later, thus proving that the Free Democrats, far from applying the brakes, are a driving force in the European policy.

The federal Foreign Minister's proposal at the "Twelfth Night conference" the FDP traditionally hold in Stuttgart, that a "visible step forward" should at last be taken with the signing of a treaty on the European Union, was meant seriously. In Herr Genscher's view the debate on this treaty could in itself lead to ideas assuming more definite shape and so to a wider European general agreement. Rather than awaiting the outcome of possibly very protracted treaty negotiations, he thus sees profit to be gained from the preparatory discussions.

For Herr Genscher the goals of a European Union are the development of a consistent European foreign policy, an extension of Community policies in line with the Rome and Paris treaties; coordination of security policy, closer cooperation in the cultural sector and

the harmonization of legislation, all of which will entail the institutionalization of such bodies as the European Council of the heads of state or government, for which the treaties at present make no provision.

Some foreign newspapers reacted cynically to Herr Genscher's statement, claiming that the Community had far more practical problems to contend with at the moment than the idea of a European Union, which has been mooted for some considerable time but has never been translated into reality.

The federal Foreign Minister is, not of course, overlooking the present controversial issues, principal among them being the agricultural policy, which Chancellor Schmidt described in his government statement as being in urgent need of reform to bring it back into line with free market principles. He is convinced that more stringent import restrictions and aggressive export promotion will not solve the problem of agricultural surpluses.

There will be some hard fighting over this in the Community in the near future, a forecast being provided by the dispute over the Community budget, which Herr Genscher feels should not be seen as a struggle for power between two Community institutions. It is crucial, particularly in view of the more difficult world political situation—and on this Chancellor Schmidt and Herr Genscher are in complete agreement—that European policy should not become bogged down in debates on agriculture and the budget and so paralyse the Community.

As the federal Government sees it, new political impulses are needed, aimed not least at the Soviet Union, where, with an eye on the Soviet Communist Party conference at the end of this month, the political course for the next few years is now being set. Herr Genscher is very much afraid the Soviet leaders might gain the impression that West Germany is withdrawing increasingly into itself and neglecting the bond with its American allies.

This could lead to disastrous errors in the assessment of the situation and have ominous political consequences. Hence his recent renewed emphasis on the need for close cooperation between Europe and America, describing it as essential for the West to adopt an unambiguous position as a bulwark of satisfactory dealings with the Soviet Union—at the negotiations on disarmament and arms controls, for example.

Cooperation with France plays a fundamental role in this concept. The idea that Herr Genscher's success in the elections might cause some deterioration in Franco-German relations is anachronistic in view of the recent slight cooling of the relationship between President Giscard d'Estaing and Chancellor Schmidt.

The importance of outward appearances, such as the frequency of top-level telephone calls, should not be overestimated: the Chancellor has been deeply involved in forming the coalition and Government in recent months, and the French President has to concentrate on what is for him a decisive election campaign. There is also a political motive for this aloofness. Since

last summer, and particularly since the danger of Soviet military intervention in Poland became acute, President Giscard's policy towards the Eastern block has hardened considerably, while Chancellor Schmidt would like to save what he can of East-West cooperation. Nor should the special position of Germany and of Berlin, both divided, be overlooked.

These subtle changes of view have had no effect on the close relationship between the two foreign ministers. Thus, at their most recent talks in Bonn in late November, Herr Genscher and M. François Pösch achieved a high level of agreement on bilateral, European and world questions, and there were no differences in their assessment of the Polish situation. For the German Foreign Minister this is extremely important—not least for his vision of a united West aware of its strength.

There is another factor, which is often disregarded outside West Germany: in its desire for the continued development of the European Community and of Franco-German friendship, the SPD-FDP coalition in Bonn can count on the parliamentary opposition not to cause any difficulties. On the contrary, the Christian Democrats are urging the Government on when they criticize the Chancellor. It is because they feel he is not doing enough for European integration.

The worst that can happen is for Franco-German links to be subjected to a critical appraisal when the federal Government might be accused, in the Opposition's view, of neglecting the Atlantic Alliance. In recent weeks Herr Genscher has helped to restore harmony in this respect by commending the determination of the French leadership to maintain the alliance and cooperate with the United States.

Practice does not always match theory, and West German policy will not run as smoothly as the French mood, as Herr Schmidt in his government statement and Herr Genscher at the "Twelfth Night conference" would have us believe. But there is a determination in Bonn to pursue a productive policy on Europe—security and the alliance. The other partners should follow suit.

Bernard Conrad



Herr Hans-Dietrich Genscher (left) and Herr Helmut Schmidt in earnest conversation.

'Cultural Europe'

Sorry tale of the fortunes of the foundation

The fortunes of the proposed European Cultural Foundation make a sorry tale of confusion and intrigue, thanks largely to the behaviour of the French Government. Towards the end of 1974 the Nine called upon Mr. Tindemans, then Belgian Prime Minister, to prepare a report on "European union" and he delivered his work a year later. His colleagues proceeded to bury his ideas, but some vestiges of chapter IV, "A citizen's Europe", survived, including the proposed formation of a European Cultural Foundation to be financed by the member states, Community funds and private gifts.

Did not the Treaty of Rome lay the "foundations" for a steadily closer union between the peoples of Europe? and did it not (in article 235) confer authority for any action aimed at this objective which was decided upon unanimously? Well, almost a quarter of a century later, "cultural Europe" is still only a plan. Mr. Tindemans wrote of the foundation that "its object will be to promote... anything which could help towards greater understanding among our peoples by placing the emphasis on human contact" and to enhance Europe's influence abroad. This proposal was adopted in 1977, at the European summit held in Rome, and a working party was set up to draft the foundation's constitution.

French civilization is both original and universal but, in a world in which the laws of the jungle and numerical strength prevail, it can survive only by making a constant effort of the will. English has far outstripped French as the international working language and

is gaining ground by the day; tomorrow, Spanish will have to be reckoned with. In short, France has a battle on its hands if it is to survive culturally, and if it succumbs culturally it will be eclipsed politically.

The French Government is well aware of this and allocates almost half of the Ministry of Foreign Affairs budget to cultural relations. It has taken great strength from the European Community in this life or death struggle. To be worthy of its name, the Community is duty bound to nurture the tree of its diverse cultures. French culture is a vigorous branch on this tree, stretching beyond French borders and casting its pollen on non-Francophone Europe. French is the only language to enjoy official status in three member states. This is a privilege inherited from history and the French should feel no embarrassment about it—none of the other nations resents it. It was consolidated by the role played by France in the early days of the Community, as a result of which French now enjoys pride of place in the administration of the Ten, although here again English is gaining ground.

Since a cultural institution is by definition highly sensitive to its environment, it is important for France that Paris should be the seat of the foundation. This was a point on which President Giscard d'Estaing was prepared to do battle, and he won the day at the European summit held in Copenhagen on April 8, 1978, with some apparent ease.

Paris's own prestige, its cosmopolitan flavour and its standing in international cultural life on the strength of

which it is already the home of Unesco were arguments in its favour. It was announced after the summit that the Nine had agreed on the structural and operational framework of the foundation. The Paris municipal authorities offered to accommodate the foundation in a newly renovated building, the Hôtel de Clugny, in the Marais, a quarter steeped in cultural heritage.

At this stage everything became bogged down. Discussion of the final paragraphs of the constitution dragged on; no progress has been made since the beginning of 1979. Losing patience, the European Movement spent a few days collecting the signatures of about 30 leading figures (including two Nobel Prize winners and 15 members of the Institut de France) and delivered a petition to the authorities. It got an evasive acknowledgment in reply.

At the European Council meeting on December 16, 1980, the outgoing president, following the practice which has become customary at the end of a term of office, invited comments on uncompleted business. When the European Cultural Foundation came up, all eyes turned towards the French representative. He said nothing. Next business?

What has happened? No one is prepared to give a straight answer. Officially, a few paragraphs of the constitution remain in dispute. The Danes are said to have a few legal reservations. The distribution of seats on the board has not been finalized. It is even suggested—although scarcely credible—that France wants the member states' financial support to be confined to a single initial endowment whereas the other countries prefer annual contributions. These matters would pose no insurmountable problems for those who wanted to solve them, but it would seem that the will is no longer there.

Some people suppose that the scheme is being blocked by a handful of uncompromising anti-EEC civil servants who have caused consternation in the Elysée Palace with dire warnings of the wrath of Mr. Debré (who has actually had nothing to say on the subject) at the extension of the

Community's powers. However, the principle of the matter has been settled and it has been established for the past two years that the foundation will be set up by inter-governmental agreement and not by any enlargement of the Commission's powers.

Another interpretation of the delay is that it is a tactical ploy to keep the foundation in reserve for whenever the really important negotiations get under way on the situation of the headquarters of the various Community institutions. France wants Strasbourg to be made the permanent seat of the European Parliament. Is the intention to keep the foundation as a bargaining counter? If so, such a manoeuvre would not only be highly reprehensible but also wholly ill-conceived since the foundation would be a good deal more valuable if it were established in its home than it is at present, merely pencilled in on paper.

The third explanation is almost too unworthy to mention, but it is nevertheless the one which rallies most closely with the chronology of events: since the Mayor of Paris has offered the Hôtel de Clugny, would not acceptance elevate M. Chirac to a position of eminence in the European cultural hierarchy?

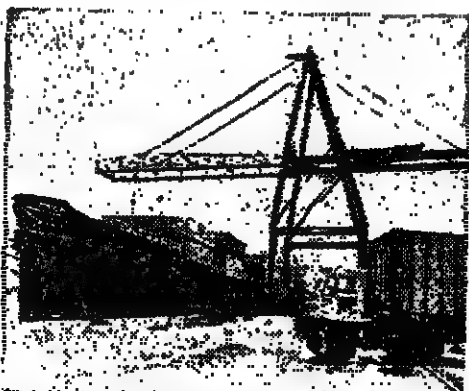
To borrow the phrase applied to various attacks perpetrated in pursuit of obscure (and sometimes less than honourable) causes, no one has "claimed responsibility" for sabotaging the European Cultural Foundation, but someone has.

A certain amount of self-interested murmuring is already audible: if the French really no longer want this foundation, others are prepared to revive the project to their own benefit. Florence, Athens, Brussels or even London are potential candidates. Whether through indecision or fickleness, France could be missing another opportunity.

Maurice Delarue

The proposed foundation should not be confused with an existing international governmental organization of the same name based in Amsterdam. * Le Monde, December 16, 1980.

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On the contrary

Hiawatha's warning

You shall hear how Hiawatha, Known to some as Roh-nal-drey-gun, Gathered all his braves around him, Gathered round him wise advisers, Wise in ways of distant countries, Far beyond the Eastern Ocean.

First came Alekh-san-dur-ha-gi, Warrior from mighty Neh-to; Followed Khee-sin-djur, the Rover; Last came lovely Laughing Water, Minnehaha or An-arm-strong.

"Listen well", said Hiawatha, "Our false friends across the Ocean Will not buy our cloths and feedstuffs, Say we have our power cheaply, Threaten to drive out our merchants."

"Tell our friends", said Hiawatha, "That I give them solemn warning: Till they buy our cloths and feedstuffs They must forfeit my protection."

Far and wide went out the message To those lands across the Ocean; Trembled all those mighty nations, Trembled, and resumed their commerce, Bought great Hiawatha's feedstuffs,

Bought his cloths and shirts and leggins.

All went well for nigh a twelvemonth, Till, in lands across the Ocean, Cloth and leggin makers muttered, Muttered in a growing anger, Anger and demand for vengeance; Vowed revenge on Hiawatha, Threatened to drive out his merchants.

"Very well", said Hiawatha, "If you seek a trade war, wage it; Wage it, and see who is victor."

"Wait!", said lovely Laughing Water, Minnehaha, one-time envoy: "I am weary of our quarrels, Of our wranglings and dissensions; All our strength is in our union, All our danger is in discord. Tomahawks we all must bury."

Then on both sides of the Ocean, Tomahawks and clubs they buried, Smoked in Ghat the sacred Peace-Pipe. With relief sighed Hiawatha, And in peace the braves departed, Went in peace—until the next time.

Pangloss



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TO AND FROM THE BRINK

How many more times can Poland afford to go to the brink before pulling back? The agreement hammered out between Solidarity and the Government over the weekend averted the threat of a one hour national strike today. The agreement contains a sensible compromise over the question of Saturday working. It also gives Solidarity greater access to the media. The very fact that Mr Lech Walesa, the Solidarity leader, went on television to announce the agreement is a mark of how far the union is now accepted by the state as a legitimate and independent interest group.

But every time an eleven-hour compromise is reached, the process becomes just a little more threadbare, the ritual dance a little less convincing. The Polish Government is in a dilemma, because it has to satisfy the demands of the trade unionists—and, by extension, the vast majority of Poles—while at the same time appeasing Moscow. The tactic adopted by the Polish Communist Party leader, Mr Stanislaw Kania, is clearly to implement the agreement reached in Gdansk after last summer's strikes as slowly and as partially as possible, so that he can claim to be both tolerating the birth of free trade unionism (in Mr Walesa's hearing) and subtly straining it (for the ears of Mr Brezhnev). Every major concession undermines this delicate balancing act, and makes it harder for Mr Kania to hold off the threat of Soviet intervention.

Mr Walesa, meanwhile, is under pressure from the grassroots. Solidarity is a democratic, decentralized organization, in

which the national committee headed by Mr Walesa plays a coordinating rather than dictatorial role. Feeling in the regional committees is running high, and it is only with great difficulty—and through personal persuasion—that Mr Walesa is able to push Solidarity along the path of moderation. The demand among some strikers in the provinces that corrupt local officials should be removed is understandable. But it is also dangerous, since it implies that Solidarity has a right to control appointments in the Communist-run administration.

This potential challenge to the political system—as opposed to the presentation of social and economic demands—is writ large in the question of Rural Solidarity, which has sprung from the grievances of Poland's farmers, most of them smallholders. There are three and a half million private farmers in Poland, and Polish agriculture depends on them. Not all of them have actually signed up with Rural Solidarity, as the peasants' free association has come to be known. But Poland's rural population is less politically active than urban Poles, and the present level of agitation by farmers is only the tip of the iceberg. Rural Solidarity is demanding the legal recognition granted to its urban counterpart, and the National Committee of Solidarity proper has backed up this demand.

This challenge from the countryside is no less serious for the Government than the emergence of free trade unions in the towns. Urban Solidarity, it is true, strikes at the heart of Communist ideology, in that the Communist state is supposed to

represent, and be run by, the working class. The very existence of free trade unionism in Polish factories daily belies this claim. But at least—from Warsaw's point of view, or even Moscow's—the workers are contained within the framework of an almost wholly state-run industry. The farmers, by contrast, are already independent, since although they rely on the state for supplies of farm machinery, their farms are an island of private endeavour in a largely collective society. A legally recognized association of farmers would not only have bargaining power over such economically crucial matters as the sale of agricultural produce to state retail outlets, but would also be a permanent affront to Communist ideology.

Rural Solidarity might appear less alarming to the authorities if presented as an expansion or invigoration of existing farmers' associations, such as the agricultural "circles" for distribution of farm machinery. Indeed, there is in theory no reason why associations of this kind should not exist within the framework of a one-party state. It is doubtful whether Mr Kania sees it that way, however, and certain that the Kremlin does not. Mr Kania's recent warning that "an alternative centre of power" could not be tolerated in Poland was clearly meant partly for Soviet ears, and partly as a reminder to fellow Poles of the need for an appearance of national consensus. Solidarity's leaders understand that constraint, but are rightly wary of its being used as a pretext for cancelling the gains they have already made.

Insurance contributions to reverse the increase announced in November. But two thirds of the money would go on extra public spending. If there is a criticism which can be made of the Government's handling of public spending it is that it has allowed too much, not too little. Cuts in spending programmes in all areas have been difficult to achieve. The nationalized industries have shown a particular tendency to consume cash in large quantities. Yet the TUC advocates giving yet more money to the nationalized industries.

Other parts of the spending programme seem to be determined entirely on political grounds. Education is allocated £500m because that is what is needed to restore spending to the Labour Government level. The TUC says that its proposals are designed to show that there is an alternative to the course of action being pursued by the Government. On the evidence presented, it is not one which need give the Government great pause for thought.

as some of President Reagan's more right-wing supporters would have liked. The Administration is still reviewing policy, so it is possible that a more realistic assessment will emerge. The fact is that nothing will be solved by simply stepping up American aid, civil or military, to the government of El Salvador. It is understandable that the Americans would not be happy to see a leftist government installed in El Salvador. But the basic revolutionary impulse comes from the conditions of life there, not from Cuba or elsewhere, and the only way to stabilize the situation is to meet the demand for change. What is needed now is a constructive policy which recognizes this and tries to bring the two sides together in negotiations. It will not be easy. At this stage the guerrillas are refusing to speak to the Salvadorean Government on the grounds that it is just an American puppet, and saying that they will only negotiate with the United States. But some formula can surely be found for getting round this difficulty. It must be if the killing is ever to stop in El Salvador.

Even the Government admits, indeed hotly contends, as your Home Affairs Correspondent reported, that the Bill will change little beyond names. The 1948 Act still serves us well.

Indeed it is a quite separate objection to the Bill that it fails to alter the law, merely squeezing nationality to fit the more liberal parts of immigration policy. It is not even effective in its aim of equating nationality and right of entry for the rights of free movement into the United Kingdom of EEC workers and their dependants remain untouched.

But the objection closest to Mr Curtis's heart (Letters, January 22) is no doubt, that the Secretary of State is given wide arbitrary powers to decide which foreign-born children shall be nationals, and which shall not. This power is explicitly stated not to be reviewable by any court. Hardly the sort of thing you expect from a Tory Party traditionally concerned with the liberties of the subject.

Yours faithfully,
ROBIN M. WHITE,
Faculty of Law,
The University of Dundee,
Scrymgeour Building,
Park Place,
Dundee.

Feeding the Third World

From Mrs Bertha Bradby
Sir, In the article by Melvyn West-Jake (January 8) and letters by Mr Clarke (January 13) and Lord Walton (January 26) on the food crisis in the developing world there has been no mention of the crucial factor played by women in the production and processing of food.

If women have any access to land in developing countries they grow at least part and often all the food consumed by the family. Their work often includes all post-harvesting of grains, fetching and carrying of fuel and water and the care of animals, as well as all the household tasks. As this work is not formed in a family setting it is not included in the gross national product (GNP) of the country and there has been a failure to recognize its importance in the development process.

Ideas on development are now changing and much thought is being given as to how women can participate more actively in rural development. I would submit that money spent on their education in primary health care, nutrition and community development, together with the provision of simple appropriate

technology, would go a long way to relieving rural poverty. As a result of an initiative taken largely by the British Government at the Women's Conference at Mexico in 1975, the United Nations Voluntary Fund for Women was set up. Money has been provided through this fund first for identifying women's needs and then supplying technical and financial assistance for training and setting up small scale agricultural and industrial projects.

In this way the poorest people in the poorest countries, namely the women, are being helped to provide more food for their families. It was encouraging that at the Mid-Decade Review Conference at Copenhagen last July many governments pledged further support for this important fund.

Yours sincerely,
BERTHA BRADBY,
(Chairman, Women's Advisory Council, United Nations Association),
Beech House,
Seend,
Melksham, Wiltshire.

Nationality proposals

From Mr Robin M. White
Sir, The Nationality Bill before Parliament is entirely unnecessary.

Priorities for a centre party

From Professor J. E. Meade, FBA
Sir, Many of us would much prefer either the Liberals or the social democrats to either the Conservatives or the present Labour Party. The tragedy is that with our present electoral system we may be unable effectively to express this preference unless contests between Liberals and social democrats can be avoided at elections. But such a pact may be difficult to achieve, partly for personal and party reasons in the various constituencies and partly because of real differences of emphasis between the Liberal and social democratic philosophies. I suggest the following solution:

1. Let the Liberals and social democrats now concert on one, and only one, item of policy, namely, the preparation of an agreed detailed Bill for a system of proportional representation which would subsume the existing House of Lords and the House of Commons.
2. Let them agree, constituency by constituency, not to oppose each other at the next election, this pact to last only until the PR Bill becomes law.
3. Let them agree that if they win a combined working majority at the next election they will at once enact the PR Bill and then immediately dissolve Parliament for an election under the new system.
4. Let them agree that if they do not win a combined working majority they will not join any government and will vote consistently against every government on every issue until the PR Bill is enacted.

In this case, if they held the balance of power in Parliament, the PR Bill would be enacted. The PR Bill was enacted or Parliament was dissolved for a new election, a process which they should agree to prolong, so long as they retained the requisite numbers in Parliament, until the PR Bill was enacted.

Such a continuing constituency alliance with social democrats is unattractive to many Liberals; but surely PR would be worth a once-for-all combination of this kind, with the prospect of subsequent free and undistorted rivalry between them, and of a final end to the ridiculously unfair under-representation of Liberals in Parliament.

Yours faithfully,
J. E. MEADE,
40 High Street,
Little Shelford,
Cambridge,
January 29.

From Mr Oliver Kingston
Sir, Now that Dr Owen has announced that he does not intend to stand as a Labour candidate at the next election, can we assume the formation of a new centre party is much nearer?

Dr Owen and his friends are experienced enough politicians to know that political parties and political campaigns are expensive to form and run, and that financial backing is essential. They are also practical enough to realize that the money required to effect the realignment of British politics is not likely to come from the millions of ordinary voters who are only able to express their mid-term discontent through the public opinion polls.

One is bound, therefore, to assume that money is being promised to them and to wonder from whom it might be coming. The trade unions have money, and political interests, but they are not likely to be promising support to those whom they have effectively driven out of their own party. Private wealth is more likely to prefer the Conservatives to social democracy, and small businesses, whether commercial or industrial, who have learnt through bitter experience to put not their trust in politicians.

Could it, therefore, be the City and big business, where Mr Roy Jenkins now finds himself, or even the Conservative Party, which is proposing to finance a new social democratic party?

It will be interesting to know when Dr Owen will be enlightening us and, if the assumption is correct that it is on big business that he intends to rely, how this aspect of his campaign will appeal to the man in the street.

Yours faithfully,
OLIVER KINGSTON,
5 Woodland Drive,
Mapperton Park,
Rocham,
January 31.

D'Oyly Carte difficulties

From Mr G. Stark
Sir, I am not sure whether to be surprised or otherwise to learn that the D'Oyly Carte Opera Company is facing serious financial difficulties. During the last five years or so I have attended many of their performances, but have not yet during that period managed to contact them even once on their publicised telephone numbers.

Since by the evidence of one's own eyes they are not playing to packed houses, one is inevitably drawn to the conclusion that their financial administration, far from being admirably conducted as is claimed in some quarters, is something of a shambles.

Yours faithfully,
G. STARK,
16 Tilton Road,
Borough Green,
Sevenoaks, Kent.

Attempted suicide figures

From Mr D. W. Rankin
Sir, Professor Ivor H. Mills (January 23) notes the falling suicide rate in Cambridge and Edinburgh and suggests "it may herald a change in society". Contrary to the trend which he has suggested, the number of "para-suicides" in Edinburgh rose in 1980.

The factors which influence para-suicide rates are complex and poorly understood. Casting a horoscope for society on the basis of poorly understood phenomena should remain the function of astrologers.

Yours faithfully,
DONALD W. RANKIN,
University Department of Psychiatry,
(Royal Edinburgh Hospital),
Morningside Park, Edinburgh.

LETTERS TO THE EDITOR

In defence of 'Haigspak'

From Miss S. M. Hagan
Sir, On what he calls "Haigspak" (report, January 28), your Correspondent, William Safire, is barking up an entirely mythical tree. In fact, the interchangeability of parts of speech (also known as flexibility, or as idiomatic grammar) is and has been for centuries the chief distinguishing mark and main strength of the English language. Moreover, the verbs "to caveat" and "to context" (just in the way that Mr Haig is quoted as using them) are both perfectly good Oxford Dictionary words. "To but demishure", though new, is not different in kind from such familiar forms as "to waterproof" or "to babysit".

Almost all nouns can equally well be verbs (to book, to chair, to table, to time, etc) and so can some prepositions (to down, to up), and all nouns can be adjectives at will (Cup Final, London Transport, peak period, etc).

In "But me no buts", and Shakespeare's "Uncle me no uncles", the conjunction "but" and the noun "uncle" are used both as nouns and as verbs: would Mr Safire consider "but me no buts" to be derisively un-English? Or is he merely indulging in a misguided spot of Haigspak?

S. M. HAGAN,
46 Dury Avenue,
Bedford,
January 28.

From Squadron Leader D. L. Mather
Sir, There is nothing new about the freedom with which Americans—especially military Americans—exploit English. In the NATO headquarters in which I work next to our transatlantic allies we are well used to practicing our casual conversation in English and surfacing issues.

Rather more startling is the way new words are invented with the opposite meaning to what one might expect. A list of "attendees" refers to those who are in attendance, not those who are attended.

Since such terms are often cheer-

fully adopted by British speakers who welcome their convenience and also invent their own (such as "to liaise", for example), I think even shocked purists will have to recognize that, eventually some Haigspak will find its way into English dictionaries.

Moreover, this linguistic technique is not to be despised, since it continues an historic trend to greater simplification of English and demonstrates its flexibility by deriving logical forms from the existing language structure. It is the process which finds its ultimate expression in the word-formation system of Esperanto, in which language it is extremely successful.

Yours morphologically,
DICKON MASTERMAN,
Maple Tree Cottage,
104 Redway Road,
Chesham,
Buckinghamshire.

From Professor R. A. Leigh, FBA
Sir, Those who presume to correct the English of others should first of all make sure of their facts. "The asterisk" has been good English since the early eighteenth century. I am, Sir,

Your most humble and obedient servant,
R. A. LEIGH,
Trinity College,
Cambridge,
January 28.

From Mr R. V. White
Sir, English is not a listed building to be preserved in antique style; nor is it a suburban "semi" awaiting modernization. Fortunately, English as a living organism has shown itself capable of surviving the kind of foolish interference proposed by peers of the realm (The Times, January 23) who may be encouraged to find better employment than legislating for the future of the English language.

Yours faithfully,
R. V. WHITE,
106 Kendrick Road,
Reading,
Berks.,
January 29.

The Pope in Britain

From the Reverend Brocard Sewell
Sir, Ever since the Reformation split, Roman Catholics have entertained hopeful visions of a Pope one day singing High Mass in Canterbury Cathedral. But surely such an act would be the sign of an accomplished reconciliation between Canterbury and Rome? Without such a blessed union, a eucharistic service of this kind could only be a cause of further misunderstandings and controversy.

Until the problems left to us by the two papal bulls, *Regnum in excelsis* (Pius V) and *Apostolica curae* (Leo XIII), are resolved jointly and severally by the Congregation of Rites and Lambeth Palace, it is difficult to see how any reflective churchman (or woman), of whatever allegiance, could feel happy at the notion of the kind of celebration being proposed in some quarters.

Surely the answer to the problem is a Solemn Eucharist, *à la Pontificia*, with the Archbishop of Canterbury as celebrant.

It would be a fitting gesture if, in preparation for this occasion, the Pope were to offer to bear the cost of providing a suitable tomb and monument for Cardinal Pole, the last Archbishop of Canterbury, in communion with the Holy See, whose sarcophagus still stands on the floor of the cathedral, unburied.

Yours sincerely,
BROCARD SEWELL,
Whitefriars, Gloucestershire.

From Dr G. D. Henderson
Sir, In the correspondence in your columns about the Pope's visit to Britain and the possibility of his saying Mass at Canterbury, I have not seen any mention of an alternative to the cathedral as the location of this event.

The special place of the cathedral in the Anglican Communion on the one hand, and on the other hand its association with the cult of St Thomas, a phenomenon specifically of the High Middle Ages, perhaps do not make it the best setting for the historic universal gesture represented by a papal Mass in England. Nowhere, however, in England could be more appropriate than the site of St Augustine's, the monastery, originally dedicated to St Peter and Paul, most closely associated with the beginning and spread of the Roman mission to England.

A papal Mass there would be sensitive to the debt of England to the Pope's great predecessor, St Gregory, whom the first generations of Christian Englishmen acknowledged as their evangelist, while the ruins of the monastery would underline the incontrovertible changes that have taken place in the church in England.

Yours faithfully,
GEORGE D. S. HENDERSON,
University of Cambridge,
Department of History of Art,
1 Scrope Terrace, Cambridge,
January 26.

Lambeth's spending

From Mr R. P. Kennedy
Sir, Lambeth ratepayers have received a revised statement of their council's expenses, along with the supplementary rate demand. It reveals that among the "fundamental services" which account for the vast proportion of our expenditure (Councilor Ted Knight, January 26), the greatest overspending (more than 20 per cent) occurred under "democratic representation and communication".

Spending under this head now exceeds that on libraries, on parks and on street cleansing; it is not far short of that on roads. To control such expenditure has nothing to do with closing old people's and children's homes, but more to do with reducing the Marxist propaganda regularly circulated to each household without charge.

The leader of Lambeth Council claims "the overwhelming support of the people", and it is clear how he hopes to achieve it. Must this be accepted as the cost of democracy?

Yours faithfully,
RICHARD KENNEDY,
1 Claylands Road, GWR.

Base coinage

From Mr Ian Curtis
Sir, Let us under no circumstances dignify our nasty new coinage with the title of "stirling" and "florin", but continue to say "pee" which in one neat syllable expresses both what we feel about decimal coinage, and its approximate value.

Yours truly,
IAN CURTIS,
Mumford House,
Kingsnorth,
Kent,
January 31.

From Mr Warren Greatrex
Sir, May a visitor from Canada be allowed to make a friendly suggestion, in view of the news of an impending addition to your coinage?

Speaking as one who has been "on" a decimal coinage all my life, the most useful coin of all is "the quack", ie the 25 cent piece. I think I am.

For convenience and quick acceptability, might I suggest consideration be given to a 25p piece rather than a 20p one. (Vending machine operators might be over-enthusiastic, of course.)

Sincerely,
WARREN GREATREX,
The Highlands,
Great Down,
Symonds Yat,
Herefordshire,
January 29.

From Dr C. R. Martys
Sir, An oblate heptagon (Leader, January 28)? Surely not. Our 50p piece is a regular heptagon; it has no axis of symmetry and therefore cannot be oblate. An oblate spheroid is a spheroid with one axis of rotation—the Earth, for example, is an oblate spheroid, squashed slightly at the poles.

Yours sincerely,
C. R. MARTYS,
Appledore,
Wyndale Crescent,
Bakewell,
Derbyshire,
January 29.

Family matters

From Mr Alastair Service
Sir, Quite contrary to Mr Butt's interpretation (January 22) of my letter to his chairman, Family Forum has a duty to find effective ways of representing and expressing grassroots opinion of all kinds of families. Mr Butt's definition of "family" as those "linked together by marriage, blood or formal adoption" is not the Oxford Dictionary's primary meaning, which is "household".

If Family Forum is to be truly representative then it should concern itself with both. This will not be achieved by little groups claiming, without justification, to represent the majority of families, but by enabling families of all kinds to speak for themselves and identify their own needs.

We have to help families to flourish in changing twentieth-century conditions, not in those of the past.

Yours faithfully,
ALASTAIR SERVICE,
75 Flax Walk,
Hamstead, NW3,
January 26.

Card of identity

From Miss B. M. Boulton
Sir, British Rail's attempts at running machines smoothly may not always succeed, but their humanity must be commended. I recently went to Italy and hesitatingly addressed a postcard to my fellow-commuters thus: "To the only smoking compartment in the rear-most carriage of the 17.23 ex Euston to Northampton."

Not only did it arrive, but a BR employee had had the decency to put it in an envelope pinned to the seat marked "Cleaners, please do not remove".

My faith is restored! Yours faithfully,
BRIDGET BOULTON,
29 Uppingham Street,
Northampton,
January 28.

هكذا من الأصل

THE TIMES
BUSINESS NEWSNational debt
a headache
for Mr Reagan,
page 17How tartan is
riding out
the recession,
page 17

- Stock markets**
FT Ind 159.8 up 3.5
FT Gilt 69.26 up 0.05
- Sterling**
\$2.3490 down 180
Index 104.0 down 1.2
- Dollar**
Index 98.6 down 0.2
DM 2.1212 down 75 pts
- Gold**
\$495.50 down 510
- Money**
3 month sterling 13.0-13.1
3 month Euro \$ 164-17
6 month Euro \$ 161-162

BRIEF

£75m export
contracts for
Vosper
shipbuilders

Export contracts worth £75m have been won by Vosper shipbuilders, part of State-owned British Shipbuilders. They are the largest orders since the company's nationalisation three years ago. Orders for two fast patrol boats valued at £45m have been placed with the company by the Sultan of Oman's Navy. The 56 metre-long vessels are the latest in a series of boats designed by the company and the latest order follows an earlier Omani order a year ago.

Reliant quotation

Reliant, the motor group, will soon regain a stock market listing, less than a year after its public-owned shares were acquired by J. F. Nash. The company is planning to give shareholders 150 shares in Reliant for every 100 Nash they own. The new shares will then be quoted on the unlisted securities market.

Beer output down

Beer production last year at 6 million bulk barrels—an average of 31 million pints a day—was the lowest annual production since 1975, and was down 3.5 per cent on 1979, the Brewers' Society said.

Taiwan forgery pledge

The Taiwan Government is to take drastic action against counterfeiters of car components and textiles after representations by a House of Commons delegation on a recent visit to Taipei.

House prices up 1pc

The average price of a house rose £24,700 in the first quarter of 1980, according to new mortgage figures published yesterday. This was 1 per cent higher than in the third quarter of the year, and compared with the same period in 1979, prices are 7 per cent higher.

Lea to save refinery

The Prime Minister is to be asked to intervene in the campaign to win a reprieve for the site & Lyle sugar refinery at Liverpool which is to close in April with the loss of 1,570 jobs.

Airfix buyers

Over a dozen potential buyers have expressed interest in all parts of the collapsed Airfix Industries group, according to a spokesman, one of two receivers called in last week to take over the company.

Wall Street down

The Dow Jones industrial average closed at 932.17, down 1.10 on Wall Street's Friday. The S-DR exchange rate was at 1.2455 which the E-DR was at 0.527754.

Sterling tumbles
as markets
anticipate early
cut in MLR

By Frances Williams

The Prime Minister's weekend remarks that the exchange rate would be a factor in influencing government policy on interest rates sent the pound tumbling on foreign exchange markets yesterday, as operators anticipated an early cut in minimum lending rate. The Bank of England intervened to steady the fall.

Sterling 1.80 cents against the dollar from Friday's close to finish the day at \$2.3490, its lowest level for six weeks. It also lost ground against the German, Swiss, French and Japanese currencies. Sterling's effective exchange rate index as calculated by the Bank of England, published on a revised basis for the first time yesterday, fell 1.2 from its closing level on Friday to 104.0. The revised index, weighted according to 1977 rather than 1972 world trade flows, has been based on an average of 1975-1980.

The dollar opened sharply lower on Friday's close after a bout of selling in the Far East, prompted by earlier United States interest rates, by the fall in American money supply figures published on Friday and by comments from the Reagan administration on the "economic mess" it had inherited.

The dollar recovered later to close 75 points lower against a stronger Deutsche Mark at DM2.1212. Its trade-weighted index also calculated on a revised basis from yesterday, ended the day at 98.6, down 0.2. Gold resumed its downward trend, falling \$10 to \$495.50, in response to the firmer dollar.

IMF keen to enhance
appeal of the SDR

From Frank Vogl

US Economics Correspondent Washington, Feb 2

The board of directors of the International Monetary Fund is planning to enhance the appeal of the Special Drawing Right and intends to boost the Fund's financial resources.

The IMF's plans, however, could be frustrated by the Reagan administration and by further appreciation in the foreign exchange value of the dollar. Morgan Guaranty Trust Company has predicted a firm dollar this year, and Dr Henry Wallich, a governor of the Federal Reserve Bank, has said that United States policies are aimed at securing a strong dollar.

The IMF board plans to raise the rate of interest paid to holders of SDRs to strengthen the unit's attractiveness to public holders and to private financial markets. So far some \$27,000m worth of SDRs have been allocated to the IMF's 141 member governments.

The raising of the interest rate on the SDR is vital if the Fund is to issue SDR-denominated notes in private capital markets to strengthen the volume of its resources available for loan. The yield on the SDR today is 80 per cent of the market yield of the weighted basket of currencies which comprise the SDR unit. The board is likely to approve a rise in the rate to 100 per cent.

It is improbable that this decision will be arrived at without American agreement. A delay could result from the confusion that exists at the United States Treasury as a result of the change in administrations. Mr Sam Cross, the American executive director of the IMF, has resigned to join the New York Federal Reserve Bank and he has not been replaced. The Treasury does not have an assistant secretary for international affairs yet, and Mr Donald Regan, the Treasury Secretary, stated that no consideration had yet been given to the IMF questions.

High Stephenson, page 17

Weak demand puts pressure on Opec prices

By Nicholas Hirst

The highest oil prices being charged by members of the Organization of Petroleum Exporting Countries (Opec) appear to be coming under pressure as demand remains weak.

Despite the loss of around 3 million barrels a day as a result of the Iran/Iraq war, prices in spot markets have come back from their highest levels last year. Algeria and Nigeria were reported by the influential *Petroleum Intelligence Weekly* yesterday to have eliminated the premiums they had been charging on key grades of high quality crude.

The official prices of \$40 a barrel remain the highest in Opec, but the decision to cut out premiums represents a recognition that the tightness caused initially in the market by the war is slackening. Fears of another rush for supplies and consequent sharp price rises are lessening. Representatives of the governing board of the International Energy Agency meeting in Paris today will receive reports showing that although the relative price of oil remains uncertain, with care there will be no excessive bidding for supplies during the first quarter.

The price gap between different quality crudes may be continuing to narrow. British Petroleum has confirmed it will be paying a premium of \$1.80 for the first three months of a new nine-month contract to take 65,000 barrels a day from Iran. The premium is paid above the official price of \$36 and \$37 a barrel for heavier and lighter crudes which BP will take in proportions according to its refinery needs. Shell also is believed to be paying the premium on its contract now thought to be for 110,000 barrels a day.

Iran's crude is considerably lower in price than that of Nigeria. Kuwait's is heavier still, but it is retaining premiums of \$5 to \$6.50 over official prices on some of its production in advance of negotiation of contracts on April 1.

Iran is negotiating a number of deals to expand its exports now that all economic sanctions connected with the taking of the hostages have been lifted. Japanese refiners are reported to be negotiating to resume deliveries at around 300,000 barrels a day. Officials in Iran say that exports have been running at 3.2 million barrels a day, with one million from the huge Kharg Island terminal, which Iraq has failed to eliminate with its air attacks, and 200,000 barrels a day from the smaller Lavan. Exports were halted completely at the start of the war.

Iraq meanwhile has asked Syria to agree not to export refined petroleum products to Iran as a condition of its reopening its pipeline to Basra. It has been exporting intermittently, but together the two lines can take more than 1 million barrels a day.

If Iran and Iraq resume production at former rates, Saudi Arabia's output could halve its output, Shaikh Ahmed Zaki Yamani, the Saudi Arabian oil minister, said in Jeddah.

The Soviet Union, meanwhile, is both cutting its exports to the West and raising prices. The United Arab Emirates, which has yet to announce formally an increase in its 1981 prices, was reported to have decided on a \$3 rise to between \$36 and \$37 for its main crudes.

Governor
says end of
recession
is in sight

By Melvyn Westlake

Mr Gordon Richardson, Governor of the Bank of England, last night struck a more hopeful note when surveying the prospects for the world economy than has recently been heard in some other quarters.

He told an audience at the Overseas Bankers Club that it now looked as if "the worst of the (world) recession is behind us". At some point later this year, he said, the world economy would start growing again.

In some ways the international community had responded better to the second oil shock than to the first. But, although the end of the recession was in sight, expectations about the upturn were less buoyant than in previous cycles, he said. Few people expected the world economy to surge ahead rapidly, as there remained major potential constraints on economic growth.

These constraints were of three kinds: the vulnerability of the world to interruptions in its oil supply; the continuing need of many countries to finance the trade deficits resulting from the higher oil price; and inflation.



Mr Gordon Richardson: world economy soon to start growing.

The Governor appeared particularly optimistic about the ability of oil consuming nations to conserve energy and co-operate in maintaining orderly market conditions.

Energy use per unit of gross national product in the leading industrial countries had declined by over 10 per cent since 1973, and there was scope for more savings. On the question of the oil-induced trade deficits faced by many countries, the Governor said he did not doubt that most deficits would continue to be financed in an orderly way.

He accepted that there were risks, and these were not diminishing. The industrial nations could not be indifferent to the problems facing the very poorest countries. Mr Richardson said, however, he appeared much less concerned about the problem of financing oil deficits than, for example, the World Bank.

The need to combat inflation was the reason for the cautious stance of fiscal and monetary policy in many countries. It was hoped that the situation could be brought down in the United States, permitting a reduction in the absolute level of interest rates.

High Stephenson, page 17

Hodge finance house loses full
status as commercial bank

By Peter Wilson-Smith

Sir Julian Hodge's Commercial Bank of Wales has been refused recognition as a bank under the 1979 Banking Act and it is planning an appeal to the Chancellor of the Exchequer.

The Bank of England which administers the 1979 Act refused to comment on or confirm the decision which was announced yesterday by the Commercial Bank of Wales.

Instead of full banking status, Sir Julian's company has been granted a full licence to take deposits, the junior status awarded to financial institutions under the 1979 Act.

A statement from the Commercial Bank, issued last night, said: "Although this decision enables present activities to continue and relations with customers will remain unchanged, the future progress of the bank will have to overcome some disadvantages and will be hindered unless it is recognized as a bank."

"For example the bank will not be able to enjoy its present name, a name which is a household word in Wales and which has, over the years, been associated with the public with the enviable reputation the bank has established."

"The board of the Commercial Bank of Wales feels strongly that every effort must be made to continue the use of its present prestigious title and status."

The 1979 Act lays down a number of criteria such as range of services which financial institutions must satisfy in order to be awarded full banking status.

The Commercial Bank of Wales, an unquoted company, was started in 1922 by Sir Julian Hodge, who remains its largest shareholder.

The controversial Welsh banker who began his career as a clerk with the Great Western Railway, made his fortune through banking and insurance interests and became a millionaire when his Gwent & West of England Enterprises went public in 1961.

In 1973 the Hodge Group which he headed was sold to Standard Chartered for £55m shortly before the secondary banking crisis. However, criticism was later levied at the second mortgage activities in which the Hodge Group was involved.

In 1978 Sir Julian resigned from the Hodge Group shortly after the Office of Fair Trading had indicated that it might not grant consumer credit licences to both Julian S. Hodge Bank and Hodge Finance.

Yesterday the Commercial Bank of Wales announced results for 1980 showing pre-tax profit of £1.08m, compared with £1.31m the previous year.

Mr N. Thornton, a director of the bank, said yesterday there were "no adverse reasons" for the refusal. "It is purely a quantitative problem."

Mr Roland "Tiny" Rowland, Lonrho's chief executive, said that his 150p share offer was final at a Press conference last Wednesday. This followed a House of Fraser board meeting at which Sir Hugh Fraser was dismissed as chairman and Lonrho launched its bid.

Mr Rowland was asked whether this was the group's final offer for Britain's largest stores group and he replied: "No higher offer will be forthcoming."

He reiterated in a newspaper report that the bid price would not be raised. As a result, the Takeover Panel contacted Lonrho, pointing out the details of Rule 22.

Mr Paul Spicer, a Lonrho director, said last night: "If a takeover is to be successful, we have to be clear that the bid price is not to be raised. As a result, one has got to bear in mind that official documents from now on are the only ones that matter."

"I'm not saying whether Mr Rowland may or may not have said a particular thing. Whatever may have been said to you by anyone in this company in the past, our offer is the offer and that's it."

Professor Roland Smith, non-executive chairman of House of Fraser, said: "I have been a shareholder for 150p. I have said Lonrho would make a full scale bid for the company. My timing has not been as good as it might be, but 150p a share is not competitive. I have received no approaches from counter-bidders. We are not even contemplating counter-bidders—the merits of the company will see Lonrho off."

TSB protest
over
loans talks

By Bryn Apleyford

The Trustee Savings Banks have written to the Department of Industry protesting at their exclusion from consultations with the leading banks over a loan guarantee scheme for small businesses.

The Government began negotiations yesterday with the main banks and the Industrial and Commercial Finance Corporation over an experimental scheme which would involve the injection of up to £250m in Government-underwritten loans into the small business sector.

But neither the TSB nor the Co-operative Bank have been invited.

For both the irony is that they were the only two banks to support the idea when they were canvassed by the Union of Independent Companies (UIC) in December. The four big clearers, having initially opposed the idea, have so far been non-committal in response to the UIC.

A spokesman for the Co-op Bank said yesterday they had not been invited to the initial discussions but would hope to be able to participate in any guarantee scheme.

But it is understood that civil servants in the Department of Industry have expressed the view that the TSB, which is bidding £10m for United Nations Trust, is not sufficiently experienced in the field of small business loans. It is thought the Co-op may be excluded for the same reason.

Mr Leonard Bakewell, general manager (services) of the TSB, said he had written to Miss Anne Mueller, the deputy secretary at the DoI, who had instigated the discussions with the main banks, protesting about the TSB's exclusion. He acknowledged that the TSB was a relatively small lender to the sector but said he believed it should be involved.

Financial Editor, page 17

Welsh trade
team
for Japan

By Tim Jones

A trade delegation from Wales will leave for Japan soon in an effort to attract more high technology jobs to the Principality. The aim is to combat the erosion of traditional employment in the declining basic industries of steel and coal.

The delegation will be led by Mr Nicholas Edwards, Secretary of State for Wales, who has recently returned from the United States where he received more than a dozen inquiries from leading companies interested in establishing a base in Wales.

When he addressed more than 50 Japanese businessmen in London yesterday, the guests of the Development Corporation for Wales, Mr Edwards emphasized their companies would be welcome to establish factories in any part of the United Kingdom although he hoped they would favour Wales.

Many leading Japanese companies are established in Wales and there is growing speculation that Nissan, Japan's second largest motor corporation will establish a £300m plant there. There was no Nissan representative present at yesterday's meeting.

Baron Phillips

Steel company staff
volunteer pay cuts

By Peter Hill

White collar staff employed by Manchester Steel, a private steelmaker, have agreed to take between £50 and £60 a week being suffered by production workers on short time.

The company, which is one of the largest in the independent sector, is suffering from a 50 per cent drop in demand for its products.

Yesterday Mr Hans Sundt, managing director of the company which is Norwegian owned, blamed much of the private sector's problems on state-aided industries through out Europe, which he said, were undercutting private companies on a wide range of products.

Speaking at a press conference he said that the state steel companies—including the British Steel Corporation which is nearly £1,000m of tax payers' money—were being allowed to fight in the marketplace using government money.

Since the crisis in the steel industry deepened last summer, Manchester Steel, owned by the Elken industrial group, has like other companies been forced to introduce short time working. Depending on the state of the order book, the company's 550 workers have been working alternate weeks, or operating two weeks on, two weeks off.

This has meant that production workers have been receiving only 70 per cent of their basic weekly wage; under guaranteed wage agreements. Because of the low level of production, the company has been losing up to £50 a week in overtime and bonus payments.

But, with union cooperation, staff employees from the managing director to junior typists have agreed to take pay cuts.

Mr Sundt emphasized that he considered that the cheap selling prices constituted a European problem and was not restricted to British Steel.

"All over Europe, we have the situation where big government owned units are supported by their governments. We accept fair competition and we expect the money to be used to close inefficient units, but when it is being used to under-cut us we are up against a heavy problem," Mr Sundt said.

"As a result we are running into substantial losses. It is clear that as a private company we cannot go on for ever. We feel it is important that the man in the street as well as the politician should realize what is happening."

The company was not planning to make any redundancies, he said, unless it was determined to maintain its operations in the United Kingdom.

Later today, Sir Keith Joseph, Industry Secretary, will meet senior representatives of Dupont and Hadfield to discuss their difficulties in the light of the Government's restructuring plans for the steel industry.

Baron Phillips

Lonrho's
150p Fraser
offer may
not be final

By Philip Robinson

Lonrho yesterday effectively withdrew its 150p share takeover bid for the House of Fraser which it had said would not be increased.

In a statement Lonrho said it had had its attention drawn to recent newspaper comment on the terms of the offer for shares in House of Fraser. The trading conglomerate said it had not intended to "make a takeover of Rule 22 of the Takeover Code, Lonrho has made no positive statements as to its future intentions otherwise than in its formal press announcements."

That rule of the Takeover Code states that a company bidding for another will be bound by any positive statement which it makes as to the finality of its offer, unless it is withdrawn immediately.

Mr Rowland was asked whether this was the group's final offer for Britain's largest stores group and he replied: "No higher offer will be forthcoming."

He reiterated in a newspaper report that the bid price would not be raised. As a result, the Takeover Panel contacted Lonrho, pointing out the details of Rule 22.

Mr Paul Spicer, a Lonrho director, said last night: "If a takeover is to be successful, we have to be clear that the bid price is not to be raised. As a result, one has got to bear in mind that official documents from now on are the only ones that matter."

"I'm not saying whether Mr Rowland may or may not have said a particular thing. Whatever may have been said to you by anyone in this company in the past, our offer is the offer and that's it."

Professor Roland Smith, non-executive chairman of House of Fraser, said: "I have been a shareholder for 150p. I have said Lonrho would make a full scale bid for the company. My timing has not been as good as it might be, but 150p a share is not competitive. I have received no approaches from counter-bidders. We are not even contemplating counter-bidders—the merits of the company will see Lonrho off."

Tourism boosted by
rate support grant

By Derek Harris

New arrangements for rate support grant funding for spending on tourism are likely to result in around £16m next year for English local authorities.

The change could encourage some councils to improve tourism facilities in order to gear up their flow of visitors. Under the new system this would produce more rate support grant aid.

The new "funding" system, which will also be operated in Wales, was welcomed yesterday by Mr Michael Montague, chairman of the English Tourist Board (ETB), as specifically identifying tourism as a grant-related expenditure. That should encourage local authorities to look more to tourism as a way of recovering funds from central government, he said.

Some areas such as London are expected to gain from the new system, but others like Stratford-upon-Avon, Oxford or Cambridge who attract largely daytime visitors, could suffer disproportionately.

The new rate support grant system, operating from April next year, would be based on the number of nights spent by visitors in a local authority area over each year. The aid given would be towards the cost of services, from refuse collection to the running costs of council swimming pools, golf courses and similar facilities.

Local authorities have previously had to help towards the cost of such services but until now it has been related to their actual spending and not the tourist flow in their area.

"What this new scheme does do—and we have long advocated this—is to signal to local authorities the relevance of tourism in benefiting a local economy and meeting its costs," he said.

But he recognised as unfair the principle of calculating the grant on the number of overnight stays. It would avoid unfair treatment of certain areas if some formula could be found to include the number of day visitors Mr Montague said. Initial calculations have suggested that Stratford would get around £33,000 support under the new system, whereas if day visitors were taken into account the amount would probably be multiplied several times.

Mr Montague is to chair a committee from the regional tourist boards to look into this problem.

PRICE CHANGES

| | |
|-----------------------------|-----------------------------|
| Escalator House 39p to 630p | De La Rue 15p to 695p |
| Ulford Docks 12p to 125p | Southeby B P 13p to 440p |
| Ulford 9p to 239p | Burnett H'shire 10p to 895p |
| in All 6p to 722p | Ultrasun 6p to 491p |
| in Carrier 6p to 196p | Manson Fin 7p to 77p |

THE POUND

| | | | |
|------------------|------------------|----------------------|----------------------|
| Bank buys | Bank sells | Bank buys | Bank sells |
| sterling 2.09 | sterling 2.01 | Norway Kr 13.21 | Norway Kr 12.66 |
| sterling 36.65 | sterling 34.65 | Portugal Esc 155.00 | Portugal Esc 127.00 |
| sterling 78.75 | sterling 76.75 | South Africa R 3.17 | South Africa R 2.62 |
| sterling 12.85 | sterling 12.85 | Spain Pes 199.75 | Spain Pes 191.35 |
| sterling 15.85 | sterling 15.15 | Sweden Kr 11.15 | Sweden Kr 10.65 |
| sterling 9.81 | sterling 9.36 | Switzerland Fr 4.69 | Switzerland Fr 4.45 |
| sterling 11.82 | sterling 11.32 | USA \$ 2.42 | USA \$ 2.35 |
| sterling 6.14 | sterling 4.91 | Yugoslavia Dnr 89.00 | Yugoslavia Dnr 84.00 |
| sterling 122.00 | sterling 115.00 | | |
| sterling 12.85 | sterling 12.25 | | |
| sterling 1.38 | sterling 1.32 | | |
| sterling 2470.00 | sterling 2360.00 | | |
| sterling 505.00 | sterling 480.00 | | |
| sterling 5.57 | sterling 5.33 | | |

US group in search of £10m investment for Continental expansion
Europe's burghers wooed by fast food King

Hamburger chains, along with the world's other popular fast food stores, are acquiring international investment respectability.

This week, Burger King, one of America's leading chains, is doing the rounds of Swiss and German banks in an attempt to persuade European investors to support a £10m (£10m) loan issue.

Underwritten by Goldman Sachs of New York and the Frankfurt bank BHF, Burger King needs the cash for its European expansion drive into the fast food market.

Over the past two years the United States fast food chains, such as McDonalds and Burger King, have looked to Europe, especially Britain and Germany as the next stage in sales development.

In Britain there are only three Burger King restaurants

—the latest one opened yesterday in London's Queensway—but over the next five years the group hopes to have opened as many as 50.

At the moment all three United Kingdom Burger King restaurants are wholly owned by the company which is a subsidiary of the United States food group Pillsbury. Expansion, however, is more likely to come through a franchising operation which is how most of the Burger King restaurants in the United States are run.

Already one such deal has been signed with the music agency and management company MAM which is committed to spend around £5m on opening up to 10 Burger King restaurants around London. A further big franchising agreement is expected to be signed this week.

Mr Zane Leshner, executive vice-president and managing director of the group's international division, says he hopes to open as many as 200 outlets between now and 1985 throughout Europe, compared with only 33 at present.

Long-term growth will come through the franchising system, but it is unlikely to attract small individual businessmen; the financial restrictions are too tough. For a start any individual who fancies running a fast food restaurant must be able to show he has net assets of at least £200,000, pay an initial lump sum royalty of around £15,000, and afford a continuous royalty of 4 per cent of sales and a similar advertising contribution.

Burger King estimates the average cost of an outlet in London at about £400,000, of which around £250,000 is attributable to the acquisition of premises and fitting out.

Burger King is not alone in launching a big assault on Britain's £2,639m eating-out market. Competition from the United States rivals, the most notably McDonalds, and the home-grown groups is becoming increasingly stiff. Food companies such as Trusthouse Forte, United Biscuits, Grand Metropolitan and Bejam are all eyeing the expanding market and are opening their own fast food outlets.

Most hamburger chains at present are concentrated in and around London but operators are hoping to take them out to the high streets throughout the country.

By the middle of this decade Britain is likely to play its part in turning America's national dish into a universal one.

Baron Phillips



EEC starts inquiry into 'dumping' of TV sets

The European Commission has begun investigating a complaint that portable black and white television sets made in South Korea have been dumped on European markets.

The complaint, which was lodged by the European Association of Consumer Electronics Manufacturers (EACEM), alleges that 12 and 14-inch sets have been sold in the Community at an estimated dumping margin of 21 per cent.

Imports into the Community of black and white portable televisions from South Korea totalled 814,000 units last year, accounting for 22 per cent of the market, compared with 120,000 units or just under 5 per cent of the market in 1976.

The evidence presented by EACEM alleges that EEC manufacturers suffered losses estimated at \$35m in 1979 through sales lost to dumped imports and depressed price levels caused by them.

EEC improvement

Economic activity picked up somewhat in the European Community last year and the EEC's trade position improved, but unemployment worsened, according to the European Commission's latest monthly economic survey.

Arco Australia venture

Atlantic Richfield Co, the United States group which owns the *Observer* newspaper, said it plans a \$350m (£147.86m) coal project in Queensland, Australia, with a consortium of Japanese and Australian companies.

Taiwan-Japan car plan

Toyota and Nissan, the Japanese motor manufacturers, have submitted investment plans to the Taiwan Government for the production of 200,000 compact cars in a joint venture with Taiwanese companies.

Japanese savings

A sharp rise in Post Office savings has been draining funds out of Japanese financial institutions including banks, investment trusts and securities firms, a Japanese newspaper survey says.

Cost of living rise

Portuguese living costs rose 2.9 per cent last December, taking the cost of living index base 1976, to 239. Inflation rose 13.1 per cent in the 12 months since December 1979.

Australia oil hope

Australia could become 90 per cent self-sufficient in oil by the early 1990s, according to Senator John Carrick, the Energy Minister.

Rupee revalued

The Reserve Bank of India revalued the rupee, against sterling by 0.52 per cent to a new middle rate of 19.30 to a pound from 19.40.

Ministers reluctantly admit to overall rise, possibly 10pc in two years

'Thatcherism' adding to tax burden

The first two years of the present Government's term of office may show that the overall burden of taxation in Britain has risen by as much as 10 per cent. This would be an astonishing outcome for a Government which set out with such determination to reduce taxation.

It demonstrates, however, the difficulty of achieving such a goal in a modern welfare state with high unemployment.

Ministers now reluctantly admit that the tax burden has had to be raised. Mr Nigel Lawson, the Financial Secretary to the Treasury, conceded this recently when he addressed an audience in Zurich in a talk entitled: "Thatcherism in Practice: a Progress Report."

However, ministers have not publicly acknowledged the extent of the increase in the tax burden. Both the present Government's Budgets in 1979 and 1980—increased taxation in real terms: the first by raising marginal rates and the second by reducing the real value of tax allowances.

The result is that all taxes, including local authority rates and National Insurance contributions, will be equivalent to about 45 per cent of the nation's gross domestic product (at factor cost) in the present financial year. This compares with 40 per cent in 1978-79, the last year of the Labour administration.

In 1973-74, the last year of the Heath Government, the proportion of gdp

accounted for by taxation was 38 per cent. But although the increase in the tax burden over the lifetime of the succeeding Labour Government was only 11 percentage points, it did rise much higher than then fell back during that Government's time in office.

All taxes as a percentage of gross domestic product (at factor cost)

| year | percentage |
|---------|------------|
| 1973-74 | 38 |
| 1978-79 | 40 |
| 1979-80 | 42 |
| 1980-81 | 44.5* |

(* Times estimate)

At the time of the last Budget, the tax burden was forecast to rise to 45.7 per cent in 1980-81. However, the increase may actually prove to be less than that. The recession has led to a lower level of revenue from some taxes than had been expected.

It seems quite probable the tax burden will rise still further in 1981-82. The next Budget on March 10, is expected to be no more than "neutral", with some tax increases offset by tax reductions.

However, inflation tends to increase the tax burden without any deliberate act of policy by the Chancellor. To avoid this, he has to adjust tax allowances and thresholds. In addition, National Insurance contributions are going up.

It has been widely assumed that the Government will take advantage of the rising revenue from North Sea oil and

gas in coming years to reduce other taxes, particularly direct taxes on individuals. Now it seems that much of this oil revenue will have to be used to reduce the tax burden to the 1973 levels.

An indication of what the overall increase in the tax burden means for individuals has been provided in recent answers to parliamentary questions.

According to one such answer, a married couple with two children living on the average earnings of one person, would have seen 24.8 per cent of income taken in direct tax and National Insurance contributions, in 1980-81. This compares with a figure of 23.7 per cent in the previous year and 24 per cent in 1978-79.

A separate answer given in the House of Lords to Lord Kaldor last summer estimated that indirect taxes would consume about 13.1 per cent of the total income of a man on average earnings in the present financial year, compared with 12.4 per cent in 1979-80. The equivalent figure for 1978-79 was around 10 per cent.

The man on two-thirds-average earnings would experience a proportionately greater increase in the amount of his income absorbed by indirect taxes. In his case, the figure was estimated to rise to 15.4 per cent this year from 14.5 per cent in 1979-80 and probably only about 13 per cent in 1978-79.

Melvyn Westlake

Call for new public spending cut

By John Whitmore

The Government should consider further cuts in public sector spending and borrowing, as well as a tighter monetary policy according to the second Annual Monetary Review from the Centre for Banking and International Finance of the City University.

By making additional reductions in public expenditure and reducing the public sector borrowing requirement, the Government would be able to make the cuts in interest rates required to stimulate the private sector of the economy and create more jobs.

The review suggests that the Government should aim for a PSBR equivalent to no more than 3 per cent of gross domestic product in the 1981-82 financial year, compared with the likely outturn of around 51 per cent in the present financial year.

It also suggests that the target for sterling M3 growth should be cut back to 5 to 9 per cent range.

If the Government does not attempt to get back on the original medium-term course, that it set itself, the review gives warning that the outcome is likely to be rising inflation and renewed recession in 1982.

The review also considers that an essential part of the Government's policy should be the adoption of a full monetary control method of monetary control.

Costain in European consortium to build 'cheap' Channel tunnel

By John Huxley

A European consortium which includes Costain, the British building and civil engineering group, have submitted plans to the Government for a low-cost Channel tunnel.

The European Channel Tunnel Group plans a bored, single rail track tunnel costing £635m at 1980 prices. The proposal sent to Mr Norman Fowler, the Secretary of State for Transport, also includes financing suggestions.

According to N. M. Rothchild, the merchant bank advising the group, private finance

could be raised without government or railway guarantees.

The proposal is the fifth for a Channel crossing to be submitted to the Government and, so far, by a long way the cheapest. Several groups have entered to a Commons select committee on the subject during last summer and autumn.

The committee's report is expected to be published soon. Transport ministers hope that one of the schemes will be approved by the end of this year.

The European Channel Tunnel Group, which is chaired by

Sir David Nicholson, a member of the European parliament, includes Costain and three other leading European contractors, Spie Batignolles, of France, Royal Bos Kall Westminister of The Netherlands, and Philip Holzmann of West Germany.

The group has been studying five possible tunnels ranging in cost from about £550m to £1,000m. It now favours a scheme requiring a 6.02 metre internal diameter tunnel, similar to that proposed by British Rail and SNCF, the French railway group.

Textile retailers more confident, survey says

By Our Industrial Staff

Business confidence among textile and clothing retailers has shown a marked improvement over the past four months, according to an industry survey published yesterday.

Manufacturers remain generally pessimistic, and more than 80 per cent report that they are working at below capacity.

Altogether 38 per cent of retailers said they were more optimistic in sales over the next four months, but the number taking this view is one of the lowest ever.

Retailers have managed to reduce stocks by making severe cut-backs in orders. Further cuts are expected.

The real McCoy, page 17

Managers present plan for recovery

By Patricia Tisdall

The Chancellor of the Exchequer was urged by managers yesterday to implement a five-point programme for industrial recovery.

In a letter to Sir Geoffrey Howe, the British Institute of Management warned of "growing unease" of many members.

It said that action was urgently needed if chances of recovery were not to be frustrated.

The BIM wants the Government to recognise the need for a healthy, competitive and expanding manufacturing industry. It also wants a substantial reduction in interest rates and tighter control of expenditure in the non-market sector and argues for investing oil revenues in public services.

It wants to see a reduction in public sector pay settlements to below the level of inflation, and the setting up of a national forum to debate the economy.

In another submission to the Chancellor, a united front against any increase in direct taxes in next month's budget is presented by six business representative organizations.

The letter's six signatories are: the Association of British Chambers of Commerce, the Association of Independent Businesses, the Institute of Directors, the National Chamber of Trade, the National Federation of Self-Employed and Small Businesses and the Union of Independent Companies.

Pub games inquiry nears completion

By Derek Harris

The Office of Fair Trading is nearing the end of a preliminary investigation, which has already extended over three months, of alleged anti-competitive agreements between brewers and tenants over installation of video games in pubs.

The thoroughness of the inquiry has increased the likelihood that the OFT could decide, possibly by the month of April, to launch a formal investigation. That could lead to the case being referred to the Monopolies and Mergers Commission for closer scrutiny.

The OFT initially considered whether the agreements were restrictive and should go on the restrictive practices register as suggested by the National Union of Licensed Victuallers whose complaints about the agreements first led to the investigation. However, the OFT is now more likely to act under the more recent competition legislation.

That would probably mean that agreements between one of the larger brewers and its tenants would be investigated as a test case for the industry. Agreements between brewers and tenants concerning fruit

machines in pubs might also be brought into the investigation. There has been friction between some time between tenants and brewers about sharing profits from these, estimated to be nearing £400m a year.

As well as the fruit machines, public houses increasingly have been turning to video games, pool tables and other attractions to counter steadily falling beer sales. But the tenants have been asked to agree to handing over as much as 50 per cent of the takings of video machines to the brewers to which they are tied, according to the union.

MPs hear of £6m modifications to Concorde

Airframe and engine modifications to British Airways' supersonic Concorde fleet have been disclosed to the Commons Industry and Trade Committee.

Two structural modifications have been identified: a "spar cap" change to the wing; and a "crown" modification to the upper fuselage.

All BA Concorde should be fitted with the wing-spar modification by November. The fuselage modification is likely to be required by the end of the year if it is incorporated, all BA Concorde should be completely modified by mid-1983.

Estimated cost to the airline of these modifications is about £6m.

Rolls-Royce have told the committee that the combustion chamber and the high-pressure compressor are the cause of problems which limit the operating life of the Concorde's Olympus 593 engines. In addition, engine accessory drives and control systems still require attention by Rolls-Royce and SNECMA, its French partner, to achieve a satisfactory reliability.

A new combustion chamber has been developed which, it is expected, will have a "life" at least twice that of the present version. This is about to enter service. Another modification has been developed which should double the life of the high-pressure compressor.

These and other improvements have been agreed technically by the engine companies and the airlines, together with reliability objectives for 1983, in a programme known as Concorde Operational Reliability Improvement Plan (CORIP). The aim is to reduce the costs per flying hour, and in particular the cost of spare parts, engine removals and operational disruptions.

Because of Concorde's low utilization—between 1,500 and 2,400 flying hours per aircraft in British Airways—engine running hours in service are being accumulated slowly. Accumulated service experience to date is only about 190,000 hours, though some individual engines

Technology News

have completed more than 4,000 hours.

The 190,000 figure is about one-tenth of that normally expected on a subsonic aircraft at a similar stage.

Another possible effect of the low flying rate of the Concorde may be to curtail the expected period of testing of a complete Concorde airframe specimen in an elaborate fatigue-test installation at the Royal Aircraft Establishment, Farnborough.

The specimen is subjected to simulated "flights" in which the temperatures and pressures of actual flights are reproduced. The number of simulated flying hours by the test specimen is kept well ahead of the number of hours flown by any Concorde in service.

In written evidence to the committee, British Aerospace stated that the specimen would continue to undergo its testing until 1989. In answer to questions, Mr Mick Wilde, managing director of the company's Weybridge-Bristol division, said that on present assumptions the fatigue testing would continue until 1986; but the company had recently reviewed whether this might be changed to 1984 in view of the low utilizations in service.

The cost of this fatigue testing, plus a small amount of similar testing on smaller scale at Bristol, was about £6m a year, Mr Wilde said.

Energy savings by precise heat control

Significant energy savings are possible through the more precise and automated control of heating, cooling and ventilating systems in commercial buildings and of various industrial processes, according to Honeywell Control Systems.

The total potential for auto-

mated control systems in commercial buildings in Europe, Mr Cyril Cowell, of the company's commercial division, says, is probably between 60,000 and 80,000 sites. At least £100,000 could be saved annually in energy costs at each site, so that the total saving could be £6,000m a year or about 400 million barrels of oil.

In the United Kingdom alone, about 70 million barrels of oil could be saved a year, equivalent to 35 days of North Sea production. Over the projected 20-year life of the fields, this was equivalent to an extra two years of production.

Though much was known about energy conservation technology, Mr Cowell said, and though individual projects had shown dramatic savings, there had been little penetration of the total potential for energy saving. Honeywell believed that there was a need for a national strategic plan for energy conservation, with the aim of achieving a 15 per cent improvement in the efficiency of energy use through the 1990s.

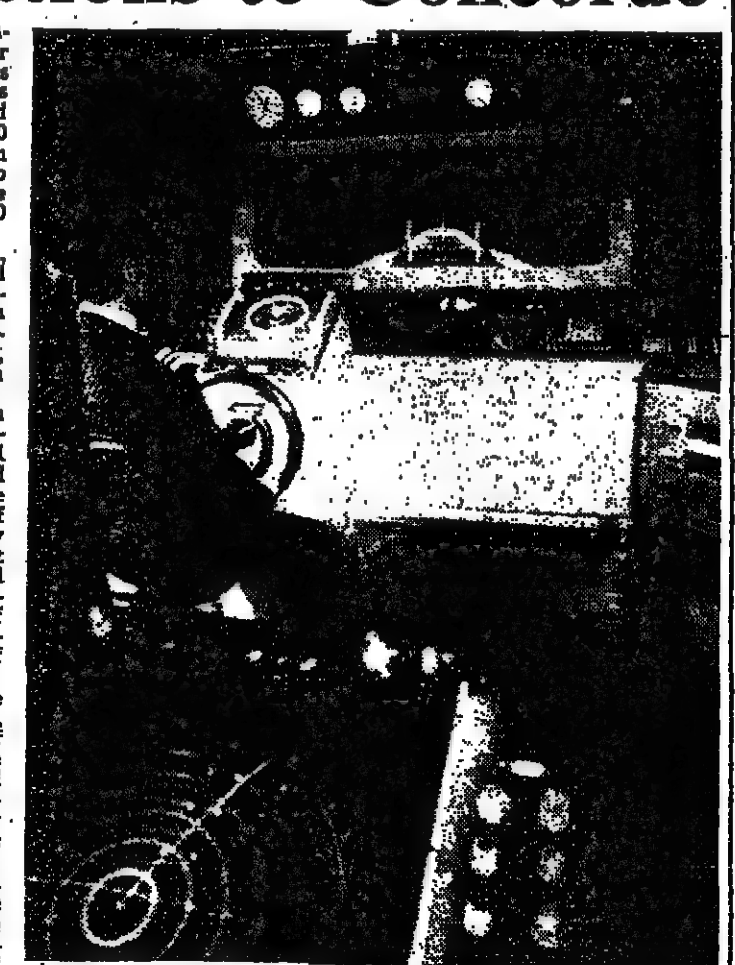
"We would advocate that one element of the plan," he said, "would be the separation of energy conservation funding in the public sector to avoid annual budgeting and short-term priority problems in order to ensure conservation progress is maintained."

Industrial furnaces and boilers also offered much scope for energy saving, Mr Gavin Kermack of Honeywell's industrial products group, pointed out. By installing modern controls on boilers and furnaces, about 7 per cent of the energy used in United Kingdom manufacture could be saved.

This would be about 2 per cent of all the primary energy used in Britain, or the equivalent of about 70 supertankers of oil a year.

Intensified drive into personal computing

An intensified drive into the personal computing market is being mounted by Hewlett-



This Racal-Decca ship's bridge simulator, used to train mariners and navigators, displays the view from the bridge of a supertanker under way. A new company, Racal-Decca Systems and Simulators, has been set up to merge Racal and Decca resources in advanced computer-aided simulation, and in the study, development and management of defence systems.

Packard, based on the company's desk-top small computers and its hand-held programmable calculators.

The new drive involves selected dealers and third-party software houses who write special-purpose programmes for

the Hewlett-Packard hardware. New products announced yesterday include the HP-83 personal computer at £1,210 plus VAT, and the HP-41CV calculator (at £169.3g plus VAT).

Kenneth Owen

LETTERS TO THE EDITOR

Job creation through investment

From Mr P. Jackson

Sir, The January Treasury Economic Progress Report states that investment in manufacturing industry could fall by up to 20 per cent in 1981. This must be the most disturbing aspect of Britain's present economic position.

Britain's core problem is recognized as low productivity and the current financial squeeze and the resultant shedding of labour, whilst painful, is reducing unit costs. We are at the moment, however, only addressing ourselves to half the problem; the raising of productivity also requires investment which alone can provide a long-term solution no matter how high the level of unemployment.

This was recognized by Sir Derek Ezra's recent letter to *The Times* which unfortunately evoked little comment. There is now an overwhelming argument for direct Government action to stimulate investment as the necessary complement to present government policies and, at the same time, ensure that we do not allow the North Sea oil bonus to completely erode our industrial base.

Investment in plant and equipment is by far the most effective job creator and economic pump primer. It will ensure that the design and automation skills on which our future export performance depends are enhanced and provide the home references without which no plant builder can survive for long. It also gives British manufacturing industry the chance to compete with a \$2.40 pound.

The Japanese and French economies provide ample evidence of the long-term benefits to industry and balance of payments through guidance of strategic investment. What knows, if the demand for plant and technology and, therefore, engineers, is sufficiently high, then perhaps it will be realized that the Finniston report is irrelevant and the engineer's status and role be raised to the level of his counterpart in Germany and Japan by the only thing that matters in the long run, the market's demand for his services.

Unfortunately, whilst investment is universally recognised as a good thing, it will not happen without Government action. The public sector is too large an influence on the United Kingdom economy to be ignored. In the private sector, profitability is too low for any "bootstrap" or tax incentive

proposals to yield results in an acceptable timescale. The obvious short-term answer is to prime the pump via public-sector investment. The public commitment to investment in nuclear power is an important step in the right direction. There is a clear need for further investment elsewhere, for example, in the British Steel Corporation which had to abandon its re-equipment programme and which must be completed if a 15 million-ton model, even with a reduced labour force, is to be viable in the long term. British Rail and the National Coal Board have equally clear investment needs.

This does not mean that the squeeze on revenue account does not need to continue and numbers in public and private sectors, trimmed to internationally competitive levels. At the same time let us give the work force the tools they need to succeed in the future.

Yours faithfully,
PETER JACKSON,
Chairman, Dorset County Group, Confederation of British Industry,
551/553 Wallisdown Road,
Poole,
Dorset BH12 5AG,
January 27.

How Canada copes with energy costs

From Lord Bowden

Sir, Our electricity is going to cost us more. The price went up by 30 per cent last year and it is to rise by another 14 per cent in the spring. We wonder who believes that the day of cheap electric power is gone. But has it?

Nuclear power in Ontario costs less today in real terms than power from Niagara cost before the War. The Canadians boast that they can generate all the cheap electricity they want for hundreds of years in their nuclear power plants. We could have it here, too, but we haven't. The Government changes its plans.

We still suffer from the "Coccorde syndrome". We build expensive products which nobody else wants. Concorde cost £5,500m. Our nuclear power programme has already cost at least as much—neither programme has brought us any export orders at all. The Government proposes to build two advanced gas cooled reactors which our people have been working on for at least 20 years, and no one else will buy. They will cost about £1,000m each and we hope they will work better than the last lot. We are to follow them by a few American pressurized water reactors. The design has been adopted by the French, but it is no longer being built in the United States. The Canadians use a design of their own which Professor Bethe has called "a technical wonder".

The nuclear industries of the world publish tables to show what the world's great power

plants are doing and how each of them has worked during its lifetime. Last year the best was Canadian, the second best was German, the next half dozen were Canadians and then came the best American station. The best of ours was 92nd and we had three out of the ten most unreliable stations in the world.

Canadian stations were much more reliable than the ones we had. Our water reactors and about twice as good as ours.

In 1979 the Central Electricity Generating Board sold its power to the area boards at 2.14 pence per kilowatt hour, and they claimed that the power from the Magnox reactors cost only 1.3 pence per kWh. But in 1980 the nuclear power station in Pickering, near Toronto, generated power for 0.43 English pence per kWh. Canadian nuclear power is the cheapest in the world and for a decade or more their stations have been the most reliable in the world. They will probably last twice as long as any others and cost less to decommission when the time comes.

Nuclear power stations cost us a enormous amount. Why can't we collaborate with the Canadians and use the best design in the world? Why must we be so perverse? We could do the sensible thing even yet.

Yours sincerely,
VIVIAN BOWDEN,
Pine Croft,
5 Scunthorpe Road,
Bowden,
Aldrichham,
Cheshire, WA14 3LB,
January 23.

Low-cost textile imports

From the Director, the British Clothing Industry Association

Sir, Mrs R. Brown of the British Ladies' Confederation in his letter published on January 26 to show that the decline of the United Kingdom textile and clothing industries is "in the main due to improvements in productivity and to imports from certain developed countries."

The argument about increased productivity causing more job losses than low-cost imports is over-simplified. It fails to take account of the inter-relationship of the various factors, in that increased competition from imports often leads to improved productivity which in turn can lead to increased competitiveness. An alternative logic is irretrievable—had imports not increased, more garments would have been made in Britain and fewer jobs would have been lost.

Turning to the performance of the multi-fibre arrangement and its effects on both imports and the EEC industry, it should be noted that the Commission's figures on import growth since 1976 are misleading. As 1976 was the first year of operation of the current MFA, we see no reason for taking 1976 as the base year. What happened with MFA imports was that imports grew by over 7 per cent between 1977 and 1978 and over 14 per cent between 1978 and 1979. It is with these figures that the projected

annual growth rate of 6 per cent should be compared.

Sadly, Mr Brown is wrong in his general assessment that the clothing and textile industries of the other Western countries have managed to adjust to the situation and his piecemeal examples show how wrong he is. He cites Italy, Japan, Korea, Germany, Belgium and the Netherlands. There is a lot more to the clothing and textile industries than these specialist sectors. His sole clothing example is Denmark, whose industry has lost only 10,000 jobs. We employ 250,000 in our clothing industry; is Mr Brown advocating that we should shed another quarter million of these workers to come down to the Danish level?

My concern is specifically for the clothing industry and for us it is low-cost imports—whether from MFA signatories or from other low-cost sources—which are the main problem and not imports from developed countries. The United Kingdom can compete on an even footing with high cost suppliers, and it does so. This is shown by our positive balance of trade in clothing with the rest of the EEC, with EFTA countries, with Australia and Japan.

Yours faithfully,
GERALD W. FRENCH,
Director,
British Clothing Industry Association,
14/16 Cockspur Street,
London SW1V 5SL.

Gas prices and the elderly

From the Secretary of the British Gas Corporation

Sir, I am sure that many people are likely to find it difficult to pay for fuel and this is rightly a cause for concern; but Mr John Bray of the Fund for Research on Ageing (Letters, January 9) really does not do himself or his cause justice when he says that the price of gas with his remarks about "perpetual price increases". It generally costs much less to heat the average home with gas than with any other fuel, even with electricity. In fact, the price of gas has risen less rapidly than prices in general over the last 10 or 15 years. A couple on old age pension with a gas cooker and fire would have had to spend some 10 per cent of their pension on gas in 1968 but less than 5 per cent now.

One reason why this has come about is the switch to natural gas which British Gas engineered in the late 1960s and 1970s—and I do not, I think, need to say that this decision made "our gas fires obsolete and unworkable".

Mr Bray calls on the Government to give extra aid to the elderly; for its part British Gas does all it can to help those in need. It is important not to mislead people with alarmist statements about fuel prices but instead to make sure they have the facts and know how to get help and advice if they need it. During these winter months that is exactly what we in British Gas are trying hard to do.

GORDON MAY,
Secretary,
British Gas Corporation,
Riverside House,
152 Grosvenor Road,
London SW1V 3JL.

Examining the examiners

From Mr I. A. Page

Sir, The Chairman of the Distributive Industry Training Board complains (Letters, January 28) about the depth and method of research of people enquiring into his organisation. But what is the point of this if it is not to write official reports about other people's affairs?

At least Mr Phillips had the right not to discuss his Board's affairs with the enquirer, and the enquiry cost his Board nothing. In contrast, those of us about whom he chooses to make enquiries are obliged by statute to respond, and incur severe financial penalties if we decline to meet his staff or if they do not like what they see and hear.

On the other hand, if we write the banal reports they require, we are rewarded with framed certificates, display boards, car stickers and literature, all paid for by the taxpayer.

Mr Phillips' organisation has wasted my company's time and money without having the slightest effect

Banks in the political arena

Seasoned Whitehall observers would inter-
ject the well-orchestrated leaks about a
possible windfall profits tax on the clearing
banks, which surfaced again over the week-
end in more concrete form, as little more
than a sign that the Treasury was unusually
divided about whether such a tax should
feature in the next Budget.

Certainly there are those in the Treasury
who feel that the Chancellor missed the
out by letting the banks off last year. Now
that profits are likely to decline—perhaps
more steeply than anticipated if the Prime
Minister's remarks about interest rates are
right—and the banks are performing an
invaluable "industrial lifeboat" role in
supporting many hard-pressed parts of
manufacturing industry, this is no time to
start taxing them more heavily.

But the main impetus, led by Financial
Secretary, Mr Nigel Lawson, seems to be
coming from those who see the banks as an
easy and politically attractive target to raise
money and help the Government over its
borrowing problems.

While the stockmarket, in marking clear-
ing banks shares down yesterday, and some
senior bankers were taking the threat
seriously there are very real practical prob-
lems involved in introducing any form of
excess profits tax on the financial sector.

At the moment the main idea seems to be
to introduce a levy on the clearers' current
account balances, although at the 1 per cent
level this would fall far short of raising the
£400m now being mooted.

Even if this Government should counten-
ance the sort of retrospective legislation
such a tax would entail, there are difficul-
ties in defining current accounts in banking
terms. The authorities could use the tighter
definition of non-interest bearing liabilities
or getting to a solution that is both fair and
equitable and free of loopholes would be a
legislative nightmare. Besides free current
accounts are just one element in banking
profits.

One alternative could be a flat rate profits
tax although given the banks ability to
juggle with the "corset"—which is
rumoured to have put the Prime Minister's
back up—they are likely to be just as nimble
faced with profits.

Meanwhile, the banks have had time to
rehearse their arguments against a profits
tax well enough—inflation adjusted figures
are barely enough to prevent erosion of their
capital base, the rise in bad debts and so on—and the Governor of the Bank of
England has been putting the case against
strongly, in the NEDO forum in particular.

Interest rates

Timing he cut

road hints from the Prime Minister over
the weekend that interest rates should fall
again before too long put a damper on
ruling yesterday. But it made it another
odd day for the Government Broker. Not
only was he able to feed out remaining
supplies both of last week's convertible
ill-edged issue and the present high ten-
year's stock (Treasury 3 per cent 1985
A), but he was also able to sell a modest
mount of the 1999 tap stock.

So what happens next? Over the past
month or so the market has been
olstered by the replenishment of institu-
tional coffers and the strength of the
exchange rate. The latter has done a lot to
turn market attention away from the prob-
lems facing the Government in the March
budget and the doubts that were clearly
premost in many investors' minds in early
January.

Tactically, there must now be a fairly
strong case for the Government to risk this
improvement in sentiment and attempt to
drive its funding programme forward into
the banking months immediately beyond the
Budget. That probably means, however,
that having played on market expectations
of lower interest rates for the past fortnight,
it may well have to deliver a bit of carrot
sooner rather than later in order to main-
tain the momentum.

A lot must, of course, depend on how
the Government wants to present its
Budget. If it wants to use an MLR cut as a
salutary on March 10, then there is clearly
no room for a pre-Budget reduction in
interest rates. There must, however, be
talks involved in announcing an MLR
reduction at the time of the Budget. Nothing

could make the Government look more out
of touch than, say, a 2 per cent reduction in
MLR in the Budget speech followed by an
immediate thumbs-down from financial
markets to the whole Budget package.

In that sense, there is a strong case for
cutting MLR some weeks ahead of the
Budget—or, if you want to present a really
tough line, leaving it until a couple of
weeks after the Budget.

● Half-time figures from Hillards, the York-
shire supermarkets group, have been boosted
by contributions from the five large stores
opened in 1979-80 but even without these
volume has risen by 8 per cent, despite a
flat performance from the small non-foods
side. The explanation seems to be that,
although gross margins have been increased
slightly, Hillards has still maintained its
competitive edge and has capitalized on this
with sales promotion throughout the period.

So with interim profits up from £3.4m to
£7.3m, a full year total of almost double
that could be within reach. At 1979, this
would give a fully-taxed p/e ratio of about
4.3 and, assuming the one-fifth rise in the
interim dividend is repeated at the final, a
yield of 3.7 per cent. Outside estimates put
Hillards' assets at at least 200p a share, so
the present share, rating no longer seems
to include much for the recurrent takeover
rumours which have surrounded the group,
and looks fairly based on the trading per-
formance alone.

However, looking further ahead, there is
the likelihood of a rights issue or some
other form of capital-raising exercise to
finance the inevitably lumpy expansion pro-
gramme. Interest charges at the half-year
were up from £85,000 to £283,000, reflecting
both high interest rates and last year's
openings, and although Hillards has only
two new stores under way at the moment
which can be financed from cash flow, there
may well be a need for external finance to
fund a higher rate of openings in the future.

J F Nash

Reliant spins off

The fashionable theory that subsidiaries of
some major conglomerates could soar like
freed birds if only the parent company
shackles were removed has made "de-
merging" a major talking point in both
industrial and political circles.

But despite the removal of certain disin-
centives in the 1980 Finance Bill the subject
remains little more than a conversation
piece—partly because the personal taxation
implications remain unclear.

For those reasons, it is perhaps ironic that
the first freed bird turns out to be some-
thing of an albatross in the shape of Reliant,
the Scimitar car group subsidiary of J F
Nash Securities.

Nash has worked a minor miracle in
turning Reliant into profit during the last
two years having acquired the bulk of the
business out of the Hothee Group after the
takeover by Standard Chartered Bank. But
since being virtually forced into taking over
the minority in Reliant as a result of SSAP
14 rules on consolidation, Nash has found
Reliant an unwieldy possession.

In the current year its projected losses
of £700,000 seem likely to dwarf profits
from the group's other activities while its
heavy financing requirements do not an-
swer fit easily with the parent group's hot-
potch of packaging and engineering
activities.

The way out as Nash sees it is for a
de-merger whereby shareholders collect 130
Reliant shares for every 100 Nash they hold.
If the move goes through Reliant will be
traded on the unlisted securities market.

Shareholders will then be able to retain
an interesting stake in a motor group, which
although currently in a parlous state—bor-
rowings of almost £2m represent 93 per cent
of shareholders funds—could yet turn
around assuming careful nursing by its
bankers. More importantly they will be able
to go on enjoying dividends from Nash,
which although itself 100 per cent geared
after the de-merger is not entirely on its
uppers.

There is however the unfortunate suspicion
that Nash is taking advantage of the de-
merger route to remove a subsidiary, which
threatens to pull the whole group down.
And that is not really what Whitehall
intended when they joined the de-merger
debate.

Business Diary: In whom we trust • Snap judgment

One problem for Republicans
interning office in Washington
is what to do with their money?
Take Ronald Reagan for ex-
ample. The wealthy one-time
star of westerns cannot hold
stocks and shares and sit in
the White House for more than
five minutes without someone
screaming "conflict of
interest."

The President has placed his
cash in a blind trust that is
being managed by Raymond
Armstrong, President of Star-
wood Corporation, a New York
investment company. The trust
is "blind" because the Presi-
dent will have no idea what
Starwood does with his cash,
except to receive a report now
and again on the valuation of
the portfolio. Reagan's trust now
consists of \$740,000 of certifi-
cates of deposit soon to mature
which Starwood will invest as
it pleases. Into the trust will
go cash from Reagan's property.

The President hopes to get
\$1.9m from the sale of his home
in Pacific Palisades, Los
Angeles—after all he lives rent-
free in the White House. He
also intends to sell his 688-acre
California ranch, for which he
paid \$526,000 in 1954.

For some Republicans, the
money problems are greater
still. Rumour has it that John
Shad, a top executive at the
E. F. Hutton brokerage firm, has
been offered the important
post of chairman of the
Securities and Exchange Com-
mission. The trouble is that the
SEC job just pays \$55,000 and
Shad makes over \$450,000.
Worse still, to avoid the conflict
of interest screams, Shad might
have to sell his Hutton stock on
moving to Washington and face
a possible capital gains tax bill
of some \$2.5m.



"It was very sudden. He emigrated two days after it was
announced that Lord George-Brown was joining the new
centre party."

● Trapping is big business in
Canada. Last year between
40,000 and 50,000 trappers—
Indians, Eskimos and whites—
harvested around 100m (135m)
worth of fur-bearing animals.
There are trappers in the Arctic
—not many, but some—who
make \$100,000 a year on white
fox alone.

Not a bad living. Many of
the animals, however, die cruel
deaths in leg-hold traps. These
animals are too big to be killed
by the closing action of ex-
isting traps. But a leg can be
caught in a clamp and the
animal thus held until the trap-
per comes back to clear his
lines.

The trouble is, this may take
two or three days, or in some
cases even a week. Bigger
animals, for instance a coyote,
fox, or a timber wolf, spend

agonizing hours trying to get
away. Sometimes it succeeds—
by twisting and gnawing at a
nub or frozen limo until it
separates. Then it hobbles off
either to starve or be killed
by something faster of foot.

Seven years ago a committee
of all the governmental wild
life agencies in Canada was
established to study "the state
of the arts" in trapping, and
recommend the least cruel
traps.

It is to submit its findings
to a federal-provincial confer-
ence in Charlottetown, Prince
Edward Island, in June. David
Neave, its chairman, says his
committee should be able to
come up with ideas to suit
each kind of trapper, and
emphasizes that trappers them-
selves are not opposed to new
traps.

The face-lift for the tower
follows a bitter battle just over
a year ago when the City of
Paris took control of the tower
from the private company.
The city then gave a new
two-year lease to a company
headed by Bernard Rocher, a
deputy mayor of Paris, on con-
dition that he carried out the
improvements. He promptly had
strikes on his hands from the
waiters in the famous
restaurant on the first floor
when they feared they would
be made redundant while the
renovation work went ahead.

When all the work is over,
however, new express lifts
should end the dreadful queu-
ing which can ruin a visit there
in the summertime and there
should be more work than ever
for the waiters.

● A demolition permit has just
been issued for the Eiffel
Tower. The men with the
sledgehammers and crow-bars
are due to start work next
month and the job is expected
to take four years.

Alarmed readers can relax.
The tower itself is not to be
demolished, only the frozen limo
stalls which clutter up the first
floor of the "flagpole of
France".

Tests have shown that the
jumble of structures and the
heavy wooden flooring are
heavier than Gustave Eiffel
allowed for in his design. At
the age of 90 the tower is still
sound, but the heavy weight
round its middle could prove
harmful in time so the demo-
lition men have been called in.

When all the work is over,
however, new express lifts
should end the dreadful queu-
ing which can ruin a visit there
in the summertime and there
should be more work than ever
for the waiters.

● Television addicts beware,
the fact of that ubiquitous
media man David Frost returns
to our screens well before he
takes up his role introducing
breakfast television in 1983.

British Caledonian announced
yesterday that Frost has been
appointed to the airline's "con-
sultant for consumer affairs"
and stars in a series of tele-
vision commercials for the air-
line which start today.

It is an airline that has
always impressed me as a David
Frost, but the airline's "con-
sultant" role, concluding the agree-
ment at Gatwick, according to
a BCal statement.

The agreement lasts for up
to two years, concluding before
the start of breakfast television.
This is just as well for Frost
since his extra-mural activities
would be in direct conflict with
commercial television advertis-
ing guidelines if he were
appearing as a current affairs
presenter. These prevent any-
one who appears on screen in
an editorial role advertising a
product.

Just received here, the Lord
only knows how, a letter from
the office in Buenos Aires of
Nobel laureate Adolfo Perez
Esquivel, addressed thus:

P.O. BOX 7
NEW BOSTON DRIVE SCOTLAND
GRAN'S OWN REAP
REDEMPTION WCLX 382
Gran Bystable

But then the Nobel was for
peace, not accuracy.

Ross Davies

Why the Chancellor should look again at indexation

Between now and the Budget, the Chan-
cellor of the Exchequer has to put
together a credible version of the Gov-
ernment's economic strategy for the
next couple of years. In no particular
order some of the more difficult points
that will have to be woven into the
version that he gives us on the after-
noon of Tuesday, March 10 include
the following.

First, the real economy (measured
either in terms of output or of the
unemployment figures) has performed
worse than he forecast in either of his
first two spring budgets.

Secondly, the public sector borrow-
ing requirement (the steady reduction
of which was central to the govern-
ment's medium-term economic plan-
ning) has risen and is rising above any
level publicly regarded as acceptable
by the Chancellor so far. The target
for the current financial year at the
time of the last budget was £8,500m.
By last November this was up to
£11,500m. If Sir Geoffrey Howe in the
event gets by with a borrowing figure
of less than £14,000m he will be able
to count himself lucky.

Thirdly, the experience of the last
year has begun to convince the Gov-
ernment that it is not wise, nor indeed
possible, to set targets for monetary
policy in terms of a single measure for
the amount of money in the system,
namely the famous sterling M3, but
there is no general agreement about

how to set operational goals in terms
of two or more targets.

The combination of all these different
deviations from the pattern of the
development of the economy intended
by the Chancellor concentrates in one
area. They produce continued reasons
for holding up interest rates at a time
when it would be nice if interest rates
came down.

Lower interest rates would tend to
produce a lower exchange rate for the
pound, though the exchange rate for
most of the last year has been less
obviously sensitive to differential inter-
est rates than might normally be
expected. They would also ease the
cost of borrowing, from the tax-
lower cost of selling and servicing
new government debt and so slow the
process by which cuts in real govern-
ment spending are offset by higher
debt interest payments.

The concentration of minds on how
to achieve a more stable exchange
rate has led to a re-examination of the
Government's basic economic principles
(from which Mrs Thatcher has said that she has no intention
of "curbing and running") explains
why the old idea of issuing inflation
proof government debt not just to
senior citizens, but to institutions is
once again up and running around
Whitehall. It is said to be the main
contribution that Professor Alan Walters
has made to the discussion of policy
since arriving as the Prime Minister's

economic adviser last month.

It seems really clear that what
ever the theoretical arguments for and
against the indexation of government
debt, as a matter of practice the over-
whelming majority of financial
institutions, and virtually every pension
fund or life assurance office, would
take some of it up, if it was on offer.

Provided that it was the principal that
was indexed against inflation and not
the interest, the prevailing impression
is that quite substantial lines of stock
could be sold with nominal interest
rates of as low as 2 per cent or even 1
per cent. Provided that the Government
was right in its professed belief that
the rate of inflation was coming down
and would stay down, this would be a
cheap long-term way of funding the
still rising borrowing requirement.

The sirens singing in favour of index-
linked gilts are still being resisted as a
matter of principle by the Bank of
England and most of the Treasury. But
there all seems to be open-mindedness
on the question of whether the private
sector might not use the same device
in order to get access to longer term
funds at lower rates of interest despite
the dreadful uncertainty which hangs
over all long-term business decisions at
the moment.

In theory there is nothing to stop a
company trying to issue index-linked
long-term debt if it feels so inclined.
But the Bank of England regulates the
issue of companies coming to the

market for money and in practice at
least an encouraging nod or wink would
be required.

The folk wisdom of the City recalls
that when GKN asked a tentative
question about issuing indexed debt in
1974 the nods and the winks were
decidedly negative. In the aftermath of
the Heath government, indexation had
a bad name in 1974.

The indications today are that for
several months the Bank has been
open-minded on what its attitude would
be to such a suggested move by a
private sector company. The fear of
setting a precedent that might spread
farther in the gilt-edged market is at
least partially balanced by interest in
the possibility that such an arrange-
ment might enable companies to borrow
more long-term money outside the
banking system than would otherwise
be the case. In that case there would
be less upward pressure on their part
of the growth in the money supply than
represents bank lending to companies.

Various ideas have been floated to
get around the problem that indexed
borrowing would saddle a company
with the liability of paying back an
unknown amount at some future date.
One of the more interesting is that of
an indexed irredeemable preference
share, where the capital might be writ-
ten up in line with inflation. But so
far potential takers seem to remain
timid.

America's national debt—a growing problem for Mr Reagan

Washington
America's national debt is
growing at a rate well over
\$1,000,000,000 (£426,000m) a
year. The debt mountain is
growing rapidly and public sector
borrowing is dangerously in-
creasing its share of total
United States credit market
dealings.

Private borrowers are being
crowded out in the money
and capital markets and the
growing public sector borrow-
ing demand is driving up inter-
est rates.

Over the years government
agencies have taken advantage
of legislation granting them
borrowing authority to launch
a host of programmes which
are poorly monitored by elected
officials and which provide in-
terest rate subsidies to an array
of special interest groups. Many
of the Government's borrowing
programmes seem to be out of
control.

President Carter was acutely
aware of these problems and,
just before leaving the White
House, he called for the estab-
lishment of a "panel of con-
standing financial and budget
experts" to examine all aspects
of public sector borrowing.

President Reagan ought to
follow-up on this idea. So con-
fused is the public sector credit
picture that it is difficult to

determine even the full extent
of governmental borrowing in
America today.

The budget deficit accounts
for a part, but by no means all,
of the increase in outstanding
public sector debt. Last year
the deficit amounted to nearly
\$60,000m and is unlikely to be
much less this year.

Box many federal government
agencies—bodies such as the
National Aeronautics and Space
Administration and the Farm-
ers Home Administration—do
not even appear in the budget.
In theory, the agencies—other
examples are the Export-Import
Bank and the postal service—
pay for themselves. In fact they
have in recent years become
large net borrowers.

These off-budget agencies
borrowed over \$20,000m in the
market last year, taking total
borrowing by them together
with Treasury borrowing to
cover the budget deficit, to
\$80,600m.

The accumulated totals of
budget deficits and off-budget
agency borrowing produced a
total federal debt total of
\$914,300m by the end of 1980.

About 20 per cent of the
debt is held in so-called govern-
ment accounts. But the amount
that really has an effect on
credit markets and budget in-
terest payments is the

remainder—the debt held by
the public. This totalled
\$715,100m or 77.9 per cent of
the total debt at the end of
1980. Over the last
quarter of a century the volume
has increased by 219 per cent.

The scale of the debt has
become an increasing problem
in recent years because of the
dramatic rise in interest rate
levels. In the 1950s and 1960s
the average cost to the Treasury
of three-month bills was just
two per cent and four per cent
respectively. In the 1970s the
average rate on these bills was
6.3 per cent. In 1980 the average
rate was 11.5 per cent. This year
it is certain to be even higher.

Interest paid on the federal
debt held by the public last
year was \$60,400m. This was
four times as much as in 1970
and six times more than in
1960. Records were smashed
last year as the interest pay-
ments exceeded 2.35 per cent of
the gross national product and
more than 10 per cent of all-
government outlays. Estimates sug-
gest that the figures will rise in
the next couple of years.

The Reagan Administration is
determined to balance the bud-
get, but the task is desperately
difficult given that in the next
fiscal year more than \$80,000m
of outlays will be interest pay-
ments on outstanding debt and
cannot be touched at all.

But the budget funding and
the borrowing by off-budget
agencies are only part of the
picture. Many government-spon-
sored corporations, ranging
from the Student Loan Market-
ing Association to the Federal
National Mortgage Association,
obtain funds at beneficial rates
because of the ultimate
guarantees of the government.

Then there are the many
federal government loan guar-
antee programmes, which again
provide recipients with funds
at better rates than they could
obtain if they just sought cash
in the markets on their own
account. In some cases—such
as Chrysler—it is doubtful if
the recipients of these funds
could obtain cash at all, with-
out government guarantees.

Funds raised under federal
government guarantee and by
government sponsored corpora-
tions, totalled more than
\$40,000m last year, bringing
the overall total of federal
government borrowing to
\$124,000m which is double the
1975 total and compares with
only \$33,000m in 1971. This
\$124,000m figure has to be seen
alongside the sum of \$348,000m
which represents all cash pro-
vided to borrowers of all types
by United States credit markets
last year.

To the \$124,000m figure should
be added the volume of tax-ex-
empt bonds issued by
assorted governmental organiza-
tions, overwhelmingly munici-
pal governments, which
exceeded \$55,000m last year.
Never before has the public sector
taken anything like as much
of total United States
credit market funds available
as it did in 1980. This year the
public sector might swallow
even more cash.

Projections show total out-
standing debt, under all types
of federal government supplies,
including guarantees, will ex-
ceed \$1,400,000m by the end of next
year.

The debt figures illustrate the
enormous task before the
Reagan Administration as it
seeks to curb the growth of
public sector borrowing. It must
succeed if there is to be better
budget management, better
prospects for money stock
control and more funds available
for private sector needs.

Government credit activities
have not been a major part of
budget discussions in the Con-
gress in recent years. The
Reagan Administration has said
it is determined to deal with
the issue. It still has to spell
out exactly how it will do so.

Frank Vogt

Seeing out the recession with the real McCoy

Ronald Faux

Tartan, that hallmark of Scot-
tishness and stamp of sensible
fashion, is wearing the recession
well. "What recession?" de-
mands one manufacturer in
mock bewilderment. "We are
doing very nicely thank you".
His mill turns out 9,000 feet
of high quality tartan cloth a
week every inch of which has
a customer.

Oddly enough, one of the
most productive centres for tar-
tan in Britain is a Victorian
mill in Saddleworth, Yorkshire.
Mr William Barff, managing
director of the Saddleworth
Woollen Company says that it
has been producing tartan since
before the war and now supplies
most firms in Scotland.

"A large amount of the tar-

tan sold in Princes Street, Edin-
burgh, comes from here."

Business has slowed down
lately but the trade in tartan is
not feeling the pinch anything
like as badly as the company's
exports in menswear to North
America.

The Saddleworth looms pro-
duce a formidable 66,000 ft of
tartan a week, which earns the
company around £3m a year.
Half the output is "fashion"
tartan: its pattern owes allegi-
ance to no particular class
and often bears Scottish-sound-
ing names which the Lord Lyon

King of Arms would find diffi-
cult to track down.

The rest of Saddleworth's
output authentic tartan. "It is
a fact that in recession
fashion designers tend towards
classic styles and classic cloth
and this always helps tartan.
It is keeping us going at the
moment," says Mr Barff.

Other manufacturers note the
popularity of non-authentic tar-
tan. The real McCoy might be
all very well in Scotland, says
one, but seven yards of cloth
like a kiln pleated swatch in a
cape on top is fairly heavy on
the physique and the pocket.

Women in particular look for
something a little lighter.
The Scottish Tartans Society
based on the Museum of Scot-
tish Tartans at Cosmo, Perth-
shire, is guardian to more than
1,300 recorded tartans ranging
from the easily recognized
Royal Stewart and Black Watch
to the "weavers nightmare"
which is how the clan Ogilvie
tartan is regarded. This intri-
cate cloth contains more than
90 stripes in each 27 inch
repeat.

Dr Michell MacDonald is
curator of the museum and
secretary of the Monitoring
Committee for Scottish Tartans
which is headed by the Lord
Lyon. Dr MacDonald has been
abroad promoting the Year of
the Scot armed with such
memorabilia as the Royal
Stewart kilt and matching
drawers, which were once
sporting by Queen Victoria's
loyal retainer—the enigmatic
John Brown.

Mrs MacDonald, the deputy
curator, says the Paris fash-
ion houses have helped the present
popularity of tartan and at the
opposite end of the market
punkers are starting to wear it.
New designs are appearing all
the time and there is a great
interest in the subject.

The museum has a piece of
tartan taken by one American
astronaut to the moon and the
tartan helmet worn by Lady
Arran, aged 62, in which last
August, she became the first
woman to travel at more than
100 miles an hour on water.
Her record of 102.45 mph was
set in August on Lake Windermere
and streaming from her
helmet were two lengths of
Colquhoun tartan from the clan
of which her father was chief.

When the Colquhouns do
anything dangerous they always
fly the tartan," Mrs MacDonald
explains.

The tartan produced at the
Inverness mill of James Pringle
is an invaluable cushion against
the severe recession in other
parts of the textile industry. Mr
Euan Pringle, managing direc-
tor, says the main markets are
headed by Japan, which takes
a large proportion of the 3,000



High fashion

FINANCIAL NEWS

Stock markets

Good demand for gilts but bank shares weak

Mrs Thatcher's optimistic remarks over the weekend about the possibility of lower interest rates in the forthcoming Budget prompted a flurry of activity in the market yesterday.

Jobs in Government securities reported strong demand for stock by investors banking on a cut in MLR before the Budget. The Government Broker was soon able to announce the exhaustion of the two new short "taps"—Exchequer, 12 per cent convertible, 1985, which closed £1.16 up at £40.11.6, and the Treasury, 3 per cent, 1985, unchanged at £2.31. In addition, he activated the long "tan", Treasury 12 per cent, 1990, "B" at £20.1, but demand by then began to falter and it closed £1 off on the day at £20.

Elsewhere, in long gains of around £1 were the order of the day after earlier rises of £1 to £1. At the shorter end, prices ended unchanged on lack of follow-through, having been as high as £1 at one point.

Equities, too, joined in the rally, helped by the fall in sterling and in spite of two further gloomy reports on the economy.

One weak spot, however, was in banks where prices were marked sharply lower, first thing on the possibility of a windfall tax in the Budget.

Falls stretched to around 15p on average at one point as dealers talked of "panic selling", but conditions eventually improved and all the big

four clearing banks closed above the worst. Lloyds was the most badly affected, dropping 17p to 338p, with a fall of 14p in Barclays at 355p while National Westminster on 370p and Midland on 318p shed 10p a piece.

The shakeout in the engineering sector after the recent financial troubles at Dupont has still to run its course. A line of over 500,000 Delta Metal were doing the rounds yesterday at 45p, around 14p higher than the closing price of 431p unchanged.

Business after hours was showing signs of boiling over with one or two investors taking their profits amid fears of industrial action by Yorkshire miners over pit closures and the setback on initial dealings on Wall Street. But the FT index showed only a minimal adjustment, closing 3.5 up at 469.8, having been 4.1 higher at midday.

Leading industrials spent a

quiet session, with prices trading in narrow limits. ICI reporting in a couple of weeks, closed 5p lower at 295p, with similar falls in Dunlop at 200p and Fisons at 225p. Glaxo ended the day 2p stronger at 266p, after 268p, with Hawker Siddeley 2p better at 254p and Unilever 3p to the good at 453p.

Engineering shares continued to show further stability after a recent weakness over Dupont's financial situation and GKN rose 5p to 142p on hopes of a helpful outcome to the plans for Phoenix One with British Steel.

Davy Corporation, awaiting developments in its legal action taken against Enserch, hardened 6p to 152p, while Haden, up 4p at 286p, both being bought from weekend comment. But in toys, the decision by Airfix to go into liquidation sent a shudder through Lesney, down 3p at 16p, while Berwick Tupper added 5p on favourable comment.

Foods saw Robertson Foods dip 7p to 149p as a "sell" recommendation after the rejection of the bid from Avanta took effect. Hillards closed firm at 195p after its interim profits expansion. In stores, speculative attention again lifted Austin Reed 5p to 95p and Bamber's Stores 5p to 61p.

Building shares, always quick to benefit from reports of a cut in MLR, quickly responded. Among the leaders, Blue Circle climbed 4p to 352p, Tarmac 4p to 270p and Anglo American Asphalt 9p to 32p.

The profits contraction left Wharfedale unchanged at 200p, with Barratt Developments, racing ahead 7p to 167p on the back of cheaper money prospects also.

Shares of Norvic Securities were suspended at 10p, pending an announcement.

Demand for electricals was maintained, but profit-taking after hours on the back of weakness among United States defence stocks saw most close below their best. Rascal ended

the day 1p better at 323, while GEC closed all square at 616p. But falls were seen in Plessey, 2p lower at 284p, and Thorn EMI, 3p easier at 291p.

On the bid front, UDT closed unchanged at 58p, awaiting the possibility of a higher offer from Lloyds & Scottish with House of Fraser closing firm at 144p, still 6p below the 150p

offer from Learba, 5p higher at 102p and awaiting figures on Thursday.

The seamen's dispute continues to have adverse effect on shipping shares, judging by the recent weakness of shares of P & O Ltd. Yesterday a line of 200,000 went through the market at 117p as the share price dipped 1p to 116p.

Equity turnover on January 30 was £103.91m. (13.161 bargains). Active stocks yesterday, according to the Exchange Telegraph, were GEC, Nat West, Coas Gold, Disillers, BPC, BHP, GKN, GUS, ICI, Lomho, Muirhead, Plessey, Rascal, Bass and Berec.

Traded options: Dealers reported few inquiries with only 762 contracts, Lomho again attracted the most with 241.

Traditional options: Dealers recorded increased activity as new dates were introduced. Calls were made in ZCI at 41p, Turner and Newall at 71p, Provident Finance at 14p and BSG at 2p.

Norvic to call in receiver if loan request fails

By Rosemary Unsworth
Norvic Securities, the Norwich she manufacturer, can raise £750,000.

The group, whose shares were suspended yesterday at 10p, has put forward a loan request to the Norwich she manufacturer, can raise £750,000.

Mr Charles Metcalfe, chairman, said that pre-tax losses this year would be £2.25m. At the interim stage when the group reported losses of £900,000 he warned that the second half would show a similar result.

Yesterday he pointed out that

the major reorganization and closure of two factories including redundancy payments of £1.5m to 900 former employees had added to the losses. "Our reorganization measures have taken over £3m per annum out of our operating expenses and have very substantially reduced our break-even point."

The extra finance was needed to make stock for pre-Easter sales and the cash flow projection showed that the group could not repay within the current year. "Our staff and operatives, aware of our difficulties, have quite voluntarily offered a pay freeze until March 1982, so in effect we are looking for a temporary cash injection for 4,100

employees of just under £700 per job." Barclays' refusal to advance the money meant that the reorganization efforts could not be tested or proved, Mr Metcalfe added.

"I should add that our interest payments, which have totalled well over £1m in the last three years, have been paid in full," Mr Metcalfe said last night that he did not know where the extra finance would be raised, or whether the banks would have a change of heart. Last September Mr Metcalfe told shareholders that a revaluation of properties due to be incorporated in the next balance-sheet would show a surplus of £750,000 over book value.

Regional Properties up midway

By Peter Wainwright
Regional Properties, now backed by Friends' Provident Life Office, is fast spending its holding of Government stocks on buying new properties and developing existing ones. So shareholders are warned in the statement for the six months to last September of a fall in earnings in the second six months, reflecting the loss of investment income.

But the first half year was good. Net rental income rose from £1.14m to £1.3m. After deducting interest of £380,000 against £450,000 pre-tax profits climbed from £694,000 to £224,000. The big figure, and the one paid most attention in the stock market, is the expenditure on existing developments and new properties of £9m.

Best known for Wellington House in the Strand, Regional is completing 47,000 sq ft of offices and 72,000 sq ft of industrial space at Vauxhall Cross in London. The group also has a site in Ealing for offices totalling 162,000 sq ft.

Asset value a share is probably 200p a share against an unchanged share price of 143p. The interim dividend rises from 0.93p gross to 1.07p but the prospective yield is only 2.4m. A full bid from Friends' Provident cannot be ruled out.

Westinghouse settles dispute with Gulf

By Michael Prest
Mining Correspondent.

In another move towards unravelling the litigation around its uranium supply contract, Westinghouse Electric, the American power engineering company, has reached an out-of-court settlement with Gulf Oil and Gulf Minerals Canada. Under the agreement, which has three parts, Gulf will pay Westinghouse \$25m within 30 days of settlement. The second condition is that Gulf will deliver about 13 million pounds of uranium to utilities involved in Westinghouse's litigation in Richmond, Virginia. Westinghouse may be allowed to buy 6 million of the 13 million pounds at less than the market price.

The third provision is that Gulf will pay Westinghouse 10 per cent of the first \$500m in sales to these utilities and 5 per cent of the next \$500m.

Westinghouse recently reached out-of-court agreements with Homestake Mining and Getty Oil. The latest settlements confirm a trend towards out-of-court agreements over a series of disputes which has been running since the early 1970s and involves thousands of millions of dollars. Westinghouse's action against Rio-Tinto Zinc of America has been dropped, but action continues against the United Kingdom parent company. There are still 23 defendants to the cartel case Westinghouse is bringing in Chicago. Westinghouse alleges that a cartel agreement between these uranium suppliers, mainly mining companies in the United States, Australia, Canada and South Africa, prevented it from supplying 65 million tonnes of uranium to the utilities.

Inco net profits soar to \$219m

By Michael Prest
Mining Correspondent.

Despite a depressed world market for nickel, Inco, the Canadian company which is the largest producer of the metal, raised net earnings last year to US \$219m (£92.4m) from \$142m in 1979. Earnings a share were \$2.56 compared with \$1.58.

Fourth quarter net earnings were \$56.3m, against \$69.2m in the same period last year. The sharp fall reflects a deterioration in the market which forced Inco in November to offer a temporary discount of 6 per cent on its prices.

Danks hopes to break even

By Our Financial Staff

Danks Gower, the West Midlands engineering group, expects a return to profitability in the second half of the current year but warns that it may not achieve a break-even position for the full year. Mr Arthur Roe, chairman, said in the annual report that the effect of group rationalizations will not be felt until the third quarter, but there has been an improvement in orders in the past three months and the level is considered satisfactory.

Turnover was £29m, against £23m, in the 15 months to June

Latest results

| Company | Sales | Profits | Earnings | Div | Pay | Year's total |
|--------------------|------------|------------|------------|-----------|------|--------------|
| ICI | 1,26(1.23) | 0.15(0.17) | 2.08(2.35) | — | — | — |
| Everards Brew (F) | 13.3(11.9) | 1.33(1.36) | 38.3(34.7) | 4.1(—) | — | 6.4(5.7) |
| Hillards (I) | 80.8(56.3) | 1.73(1.34) | 12.6(10.9) | 1.5(1.23) | 1/4 | — |
| Regional Props (I) | 7.09(6.76) | 1.36(2.07) | 10.8(16.5) | 5.2(5.2) | 19/2 | — |

Briefly

Dares Estates: Cloverhill Securities are interested in 2.175m ordinary shares. Barclays International has opened a new office in Miami, under an agency licence. New office will concentrate on providing corporate and correspondent banking services, particularly the finance of international trade between Miami and Central and South America. Kean & Scott: New York City has taken a 25 per cent stake in ordinary shares (6.12 per cent) of Kean & Scott. Home Farm Products: In its interim statement, the chairman reports that while there is still a constant demand for the company's products, profit margins are shrinking because of even fiercer competition.

NOTICE OF REDEMPTION of Ente Nazionale per l'Energia Elettrica-ENEL (Italian National Electric Energy Agency) 7 1/2 Per Cent, 15-Year Guaranteed Bonds of 1970 Due March 1, 1985

NOTICE IS HEREBY GIVEN, on behalf of Ente Nazionale per l'Energia Elettrica-ENEL, that on March 1, 1981, \$5,000,000 principal amount of its 7 1/2 Per Cent, 15-Year Guaranteed Bonds of 1970 will be redeemed out of moneys to be paid by it to Dillon, Read & Co., as Principal Paying Agent, pursuant to the mandatory, annual redemption requirement of said Bonds and to the related Authenticating Agency Agreement and Paying Agency Agreement, each dated as of March 1, 1970. The Chase Manhattan Bank (National Association), as Authenticating Agent, has selected, by lot, for such redemption the Bonds bearing the following serial numbers:

| BONDS SELECTED FOR REDEMPTION | | | | | | | | | |
|-------------------------------|------|------|------|------|------|-------|-------|-------|---------|
| 2 | 9589 | 3237 | 8501 | 7256 | 9004 | 10754 | 15548 | 14881 | 12821 |
| 3 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 4 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 5 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 6 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 7 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 8 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 9 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 10 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 11 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 12 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 13 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 14 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 15 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 16 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 17 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 18 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 19 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 20 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 21 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 22 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 23 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 24 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 25 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 26 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 27 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 28 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 29 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 30 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 31 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 32 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 33 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 34 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 35 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 36 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 37 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 38 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 39 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 40 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 41 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 42 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 43 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 44 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 45 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 46 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 47 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 48 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 49 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 50 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 51 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 52 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 53 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 54 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 55 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 56 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 57 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 58 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 59 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 60 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 61 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 62 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 63 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 64 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 65 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 66 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 67 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 68 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 69 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 70 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 71 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 72 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821 |
| 73 | 2991 | 1318 | 3892 | 7278 | 2914 | 10770 | 15548 | 14881 | 12821</ |

| | | | |
|------|------|-----------------|----|
| 12.7 | 42.1 | Basic Resources | 50 |
| 25.3 | 29.3 | Far Eastern | 30 |
| 39.6 | 38.4 | High Income | 34 |
| 29.2 | 23.7 | Inc. & Growth | 32 |

Stock Exchange Prices

Gilts remain firm

ACCOUNT DAYS: Dealings Began, Jan 26. Dealings End, Feb 5. \S Contango Day, Feb 9. Settlement Day, Feb

§ Forward bargains are permitted on two previous day

[illegible]

